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In The

Supreme Court of the United States

SRAM CORPORATION,

Petitioner,

v.

AD-II ENGINEERING, INC.,

Respondent.

On Petition For Writ Of Certiorari To The Court Of Appeals For The Federal Circuit

PETITION FOR WRIT OF CERTIORARI

March 15, 2007

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QUESTIONS PRESENTED

1. Whether the United States Patent and Trademark Office's determinations on the meaning of patent claims should be given any deference by a court construing patent claims.

2. Whether the Federal Circuit's current *de novo* review standard for claim construction, according no deference to the United States Patent and Trademark Office's determinations on the meaning of patent claims, conflicts with the presumption of patent validity under 35 U.S.C. § 282.

PARTIES TO THE PROCEEDINGS AND RULE 29.6 STATEMENT

Petitioner is SRAM Corporation, an Illinois corporation. No publicly held company owns ten percent (10%) or more of the Petitioner.

Respondent is AD-II Engineering, Inc., a Taiwan company.

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PETITION FOR WRIT OF CERTIORARI

Petitioner, SRAM Corporation, respectfully petitions for a Writ of Certiorari to review the judgment of the Court of Appeals for the Federal Circuit ("the Federal Circuit").

OPINIONS BELOW

The Federal Circuit's opinion is reported at *SRAM Corp. v. AD-II Eng'g, Inc.*, 465 F.3d 1351 (Fed. Cir. 2006) and is reproduced in the appendix hereto at App. 1-17. The initial District Court opinion granting summary judgment is reported at *SRAM Corp. v. AD-II Eng'g, Inc.*, 326 F. Supp. 2d 903 (N.D. Ill. 2004) and is reproduced in the appendix hereto at App. 18-28. The unreported District Court opinions granting summary judgment are reproduced in the appendix hereto at App. 29-32 (March 15, 2005 Order); and App. 33-36 (April 17, 2005 Order). The Court of Appeals' denial of the petition for rehearing and for rehearing en banc is reproduced herewith at App. 37-38.

JURISDICTION

A panel of the Court of Appeals for the Federal Circuit entered its judgment on October 2, 2006. A petition for rehearing and petition for rehearing en banc were denied on December 15, 2006. The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

STATUTORY PROVISIONS INVOLVED

35 U.S.C. § 282 of the Patent Laws of the United States provides in relevant part as follows:

> A patent shall be presumed valid. Each claim of a patent (whether in independent, dependent, or multiple dependent form) shall be presumed valid independently of the validity of other claims; dependent or multiple dependent claims shall be presumed valid even though dependent upon an invalid claim.
>
> * * *
>
> The burden of establishing invalidity of a patent or any claim thereof shall rest on the party asserting such invalidity.

STATEMENT OF THE CASE

This case presents the issue of whether the Federal Circuit may disregard years of analysis and work performed by the United States Patent and Trademark Office ("USPTO"), in its multiple reexaminations of the patent at issue, and give absolutely no weight or deference to the construction of the claims by the USPTO.

On July 20, 2004, the District Court granted partial summary judgment to Petitioner SRAM, holding that defendant AD-II Engineering ("AD-II") infringed claim 16 of U.S. Patent No. 4,900,291 ("the '291 patent"). That decision is reported as *SRAM Corp. v. AD-II Eng'g, Inc.*, 326 F. Supp. 2d 903 (N.D. Ill. 2004). (App. 18-28). On April 7, 2005, the District Court entered a final appealable order, except for an accounting of damages, holding AD-II

liable for infringement of claim 16 of the '291 patent. (App. 33-36).

On appeal, the Federal Circuit reversed the District Court's claim construction in an opinion by Circuit Judge Linn, reported at *SRAM Corp. v. AD-II Eng'g, Inc.*, 465 F.3d 1351 (Fed. Cir. 2006). (App. 1-17). In short, the case to the Federal Circuit turned on whether claim 16 described a method of "precise indexed shifting." The Federal Circuit gave no weight or deference to the construction of claim 16 adopted by the USPTO in the lengthy prosecution history which confirmed that the claim, in fact, describes a method of precise indexed shifting. Unlike all those skilled in the art who reviewed the patent, including the USPTO examiners and all experts in the case, the Federal Circuit concluded the opposite.

The patent at issue, the '291 patent, involves a twist shifter (called an actuator) for a multi-gear bicycle that shifts precisely between gears. Claim 16 of the '291 patent describes a method of performing precise indexed down-shifting events on a bicycle. Indexed shifting is movement of the shift actuator a discrete amount to cause the derailleur to move the bicycle chain the precise distance necessary to effect a gear shift. *See SunRace Roots Enter. Co. v. SRAM Corp.*, 336 F.3d 1298, 1299 (Fed. Cir. 2003). The difference between friction shifting and index shifting has been likened to the difference between using twist knobs in old car radios to search for stations and using push buttons to automatically jump from station to station. In claim 16, by removing, through discrete movements of the shift actuator, substantially all of the cumulative lost

motion[1] from the shifting system, performance of the method results in precise indexed downshifting events.

The USPTO and District Court's conclusion that claim 16 describes precise indexed shifting is consistent with the previous Federal Circuit decision involving the same claim in the same patent, *SunRace*, 336 F.3d at 1298, which recognized that the '291 patent explicitly linked the removal of substantially all of the cumulative lost motion from the shifting system to the performance of precise indexed shifting. *Id.* at 1300.

The District Court followed that description and the USPTO's determinations and correctly noted that the shift actuator of the '291 patent "is designed to effect *precise* control over the movement of the derailleur." *AD-II*, 326 F. Supp. 2d at 905. Even AD-II's own expert agreed that claim 16 applies to indexed downshifting.

Contrary to the Federal Circuit's opinion, the USPTO and District Court did not add any new "precision indexed" limitation to claim 16. Rather they simply recognized the obvious: claim 16 describes precise indexed shifting. Ironically, this was such a clear point that AD-II failed to contest SRAM's description of claim 16 as covering precise indexed shifting in SRAM's Motion for Summary Judgment of Infringement, and did not dispute the District

[1] "Cumulative lost motion" is the "sum of the play in the component parts of the cable system and the rear derailleur that causes the lag between the movement of the shift actuator and the movement of the rear derailleur." It is not the same as the general term "lost motion" or a "slack" cable.

Court's identification of claim 16 as covering precise indexed shifting, when the Court granted SRAM's Motion for Summary Judgment of Infringement.

The USPTO considered the exact issue before the Federal Circuit in multiple reexamination proceedings spanning a period of over five years. The most recent reexamination concluded with the issuance of U.S. Patent Reexamination Certificate 4,900,291 C2 (App., Vol. II, II-39 – II-43). That certificate issued only after hundreds of references and litigation documents were considered by the USPTO, as evidenced by the eight columns of text identifying the references cited. (App., Vol. II, II-39 – II-43). The Federal Circuit, in one sentence, citing the *de novo* review standard, essentially eviscerated years of work by the highly skilled set of patent examiners and their supervisors on the very issues involved.

REASONS FOR GRANTING THE WRIT

A. This Court should clarify the proper level of deference to be given to the United States Patent and Trademark Office's claim construction to provide guidance to important issues of patent claim interpretation.

This case presents a unique opportunity to consider the issue of deference by the Federal Circuit in claim construction. In the instant case, the USPTO clearly reviewed the claim construction at issue over a reexamination process of more than five years. The Federal Circuit simply disregarded that work and gave no deference to the USPTO's clear interpretation of claims and the district court's review of that claim interpretation. Affording a

highly specialized federal agency absolutely no deference on construction of patent claims is inconsistent with the presumption of the validity of patents issued by the USPTO under 35 U.S.C. § 282. It destroys the role of the USPTO in interpreting highly technical material in the first instance. Patent holders should be able to rely to some measure on the interpretations of the agency established by the United States to provide for patent protection. The patent holder should not have to litigate to have any certainty on how the claims will be interpreted.

Claim interpretation arises in virtually every patent case, and it is outcome-determinative in most cases.[2] This Court should grant this Petition in order to define the prominent and primary role of the USPTO in allowing claim language and determining claim scope. Granting *certiorari* in this case will also benefit district court judges who adjudicate infringement cases, as well as patent holders, litigants and prospective litigants who need certainty in patent review matters. Commentators and practitioners have noted the inconsistency in the Federal Circuit's application of claim construction principles.[3] This

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[2] Christian A. Chu, *Empirical Analysis Of The Federal Circuit's Claim Construction Trends*, 16 BERKELEY TECH. L.J. 1075, 1142 (2001); *see also* Gretchen A. Bender, *Uncertainty and Unpredictability in Patent Litigation: The Time is Ripe for a Consistent Claim Construction Methodology*, 8 J. INTELL. PROP. L. 175 (2001).

[3] Steven B. Pokotilow & Charles E. Cantine, *File Early and File Often A Pending Application is the Best Approach to Capturing Your Competitor's Product*, PATENT STRATEGY & MGMT, Jan. 28, 2004, at 1 (*e.g.*, – "In sum, due to the ever-changing case law on claim interpretation, neither applicants nor their attorneys are in a position to predict accurately how a district court, or the Federal Court, will interpret a given set of claims."); Andrew T. Zidel, *Patent Claim Construction in the Trial Courts: A Study Showing the Need for Clear Guidance From the Federal Court*, 33 SETON HALL L. REV. 711 (2003) (citing numerous

(Continued on following page)

unpredictability defeats the Congressional purpose in the creation of the Federal Circuit.[4]

When the USPTO's claim constructions are given no deference, the results are not uniformity, but rather inconsistent and inaccurate decisions of the Federal Circuit whose Judges may not have the same expertise of those skilled in the art for whom the patents are written. It is hard to imagine a clearer example of how the claim construction and appellate review process has become unworkable and unreliable than the present case. Here, the District Court construed a claim of a patent according to the clear guidance by the USPTO after years of review in reexamination and the same construction of the Federal Circuit in a previous case involving the same patent. On appeal, the Federal Circuit finds that construction wrong without giving any deference to the USPTO, no discussion of the prosecution history, and without analyzing the previous case.

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studies showing the Federal Circuit's high reversal rate on claim construction issues); Tarek N. Fahmi & Elena B. Dreszer, *De Novo Review of Claims Construction or Wasted Effort of the District Court: Interactive Gift Express, Inc. v. Compuserve, Inc.*, 19 SANTA CLARA COMPUTER & HIGH TECH. L.J. 315 (2002) (*e.g.*, – "[E]mpirical studies by various authors, including one of the Federal Circuit's own judges, having shown that uniformity is conspicuously absent when it comes to issues of claims construction in patent litigation . . . "); Bender, 8 J. INTELL. PROP. L. 175 (discussing the lack of predictability in claim construction as demonstrated by the Federal Circuit's high reversal rate).

[4] Federal Courts Improvement Act of 1982, Pub. L. 97-164, 96 Stat. 25 (1982) (codified at 28 U.S.C. § 1295(a)(1) (1994)); H.R. Rep. No. 97-312, at 22-23 (1981) ("A single court of appeals for patent cases will promote certainty where it is lacking to a significant degree. . . .").

In contrast, the District Court recognized what the USPTO's set of examiners knew, what the previous *Sun-Race* Court found, and both parties' experts agreed, that claim 16 *described* precise index shifting. Nevertheless, because no deference was given to the USPTO's extensive work or to the District Court, the Federal Circuit simply dismissed the uniform conclusions by those skilled in the art, including both parties' experts, and came to its own independent conclusion, entirely removed from the USPTO record established before the public.

B. The clear error of the Federal Circuit opinion was caused by ignoring the USPTO's claim construction in its lengthy and on-point prosecution history.

The Federal Circuit's opinion ignores the USPTO's prosecution history related to claim 16, which included three separate reexamination proceedings in which the patent owner repeatedly demonstrated that claim 16 describes a method of performing precise indexed down-shifting.

Patents are written from the perspective of an inventor skilled in the art. They are not written for the general public or for judges, but rather for other people skilled in that art. Patents are reviewed and interpreted by USPTO examiners who are skilled in the art field. In reexaminations, such as the instant case, the claims are reviewed by an examiner and a supervisor skilled in the art, and then yet again reviewed by a three-person Panel, skilled in the art, before any reissuance. *See, e.g., Manual of Patent Examining Procedure* §§ 2258, 2289.

In contrast, judges are skilled in the art of jurisprudence, not the fields of the patents they review. Because judges cannot be skilled in all areas of each patent art field, it is unsound policy to give absolutely no deference to the USPTO patent examiners, supervisors and reexamination review members who are skilled in the art field in question and are presumed to have done their job and issued valid patents.[5] As the primary source of the patent system, the USPTO Examiners must necessarily interpret patent claims in the course of performing their function.

The decision whether to grant a patent necessarily relies on fact finding and legal conclusions by USPTO Examiners. The factual inquiry goes into "scope and content of the prior art" and into "ordinary skill in the pertinent art." *See, e.g., Graham v. John Deere Co.*, 383 U.S. 1, 17-18 (1968). These are not facts known to a lay person but are technical facts. The recent Federal Circuit case of *Amgen v. Hoechst Marian Roussel, Inc.*, 457 F.3d 1293, *reh'g en banc denied*, 469 F.3d 1039 (Fed. Cir. 2006), illustrates the lack of uniformity in the Federal Circuit for the continued adherence to the prior decision in *Cybor Corp. v. FAS Techs., Inc.*, 138 F.3d 1448, 1451 (Fed. Cir. 1998) (*en banc*), that the court affords no deference whatsoever to the District Court's claim construction. As Judge Rader noted in his dissent, "the Supreme Court recognized that, far from a 'purely legal issue,' claim construction 'falls somewhere between a pristine legal standard and a

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[5] *See, e.g.*, John F. Duffy, *Patent Law & Policy Symposium: Re-Engineering Patent Law: The Challenge of New Technologies: Part I: Administrative Law Issues: On Improving the Legal Process of Claim Interpretation: Administrative Alternatives*, 2 WASH. U. J. OF LAW & POLICY 109, 125-34 (2000).

simple historical fact.'" *Amgen*, 469 F.3d at 1039 (Rader, J., dissenting) (quoting *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 388 (1996)). Judge Rader recognized that the District Court is better positioned than the appellate court to reach a proper construction and that the District Court has more tools, more time, and more direct contact with factual evidence than the appellate body. *Id.* (citing *Cybor*, 138 F.3d at 1477 (Rader, J., dissenting)).

Chief Judge Michel recognized the four practical problems that emerged under the *Markman-Cybor* regime:

> (1) A steady high reversal rate;
>
> (2) A lack of predictability about appellate outcomes, which may confound trial judges and discourage settlements;
>
> (3) Loss of the comparative advantage often enjoyed by the District judges who heard or read all of the evidence and may have spent more time on the claim constructions than we ever could on appeal; and
>
> (4) Inundation of our court with the minutia of construing numerous disputed claim terms (in multiple claims and patents) in nearly every patent case.

Amgen, 469 F.3d at 1040 (Michel, J., dissenting).

Judge Michel noted the serious question about whether, in fact, claim construction is a purely legal issue void of factual content. Unlike where the judge is interpreting a disputed term "as an artisan in the law," in claim construction, the judge is to inquire essentially "how would the average artisan in the relevant field of technology

understand the disputed claim terms in the context of the rest of the patent, the prosecution history, and the prior art?" *Id.* "[T]he claim construction question often cannot be answered without assessing, at least implicitly, what the average artisan knew and how she thought about the particular technology when the patent claims were written." *Id.* In the *Amgen* case, members of the court noted that the trial judge necessarily relied upon prior documents and other evidence concerning skill of the ordinary artisan at the relevant time and that they are arguably better equipped than appellate judges to make those factual determinations. *Id.*

All those same factors and reasoning are even more present in a claim determination by the USPTO. The USPTO not only has the same luxuries of the trial court, in terms of timing and the access to records and documents, the ability to request demonstrations and interview the inventor and others, etc., the USPTO is also made up of examiners who are, by definition, persons skilled in that particular art field. Through training, expertise, and education, the examiners are the ones who are reviewing the art field that is at issue. To deny these highly skilled agency determinations any deference is to deny that the USPTO examiners have expertise and to deny the very reason that they were hired and are doing the job at which they are especially skilled.

Unlike some cases where it may be unclear as to whether a claim construction issue was addressed by the USPTO, here the very claim construction certainly was. Moreover, there is no evidence that the USPTO, which had years to examine this very issue, reached the wrong conclusion regarding the scope of claim 16 and its validity over the prior art. Yet the Federal Circuit did not even

discuss or interpret what the USPTO did. They did not look at the data, references, or mechanical demonstrations the USPTO had. This lack of acknowledgement or consideration of the extensive work performed by the USPTO can only discourage inventors who trust the patent system and expend substantial sums of money and great efforts so they and the public can rely on the decisions of the USPTO.

Here, it appears that the mechanics of a bicycle are rather simple to understand. In fact, however, to truly comprehend this art, one must have a deep understanding of how components of a bicycle work together. There were working bicycles for well over a century before this method of precise index shifting was invented. The Federal Circuit made the mistake of defining precise index shifting as requiring overshift. All people skilled in the art, the experts from both sides, and the USPTO reached the opposite conclusion, which underscores why some deference or weight should be given to the USPTO's interpretation. The fact that a clear mistake was made with such seemingly simple technology emphasizes why some deference to the USPTO is warranted.[6] Courts will face much more complex technology, for which judges will have no experience or skill in the art; therefore, some deference must be given to those skilled in the art.

Findings of science and technology based facts in patent cases that are made by artisans skilled in the field

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[6] This is especially true in this case where the Federal Circuit Opinion completely ignored unequivocal statements of disclaimer in the prosecution history. SRAM's statements during reexamination of the '291 patent were clear and unequivocal regarding the scope of claim 16.

by an agency that was established to make those determinations, should be given some deference by the court. By giving no deference, the Federal Circuit has created an odd and contradictory number of its own decisions relating to the exact same *patent*, namely *SunRace* and *AD-II*. The precedent of what the patent claim involves in *SunRace* is directly contradicted by the Federal Circuit's decision in *AD-II*. This permits the Federal Circuit's decisions to be balkanized and panel dependent and creates conflicting precedent, which is a menace to stable intellectual property interpretation.

C. The *de novo* standard is not uniform and is inconsistent with deference afforded other agencies.

The standard of giving no deference to the USPTO does not appear to be uniform. Some courts have recognized and given deference to the expertise of the USPTO in patent matters.[7] *In re Morris*, 127 F.3d 1048, 1055 (Fed. Cir. 1999) (holding that review of the USPTO's claim interpretation should focus only "whether the PTO's interpretation of the disputed claim language is 'reasonable'"). The *Morris* court also held that nothing in the *Markman* case required a change in the USPTO's claim

[7] When, such as here, prior art that was considered by the USPTO is relied upon by an accused infringer, the Federal Circuit has recognized that the infringer "has the added burden of overcoming the deference that is due to a qualified government agency presumed to have properly done its job, which includes one or more examiners who are assumed to have some expertise in interpreting the references and to be familiar from their work with the level of skill in the art and whose duty it is to issue only valid patents." *American Hoist & Derrick Co. v. Sowa & Sons, Inc.*, 725 F.2d 1350, 1359 (Fed. Cir. 1984).

construction methodology. *Id.* at 1053-54; *see also In re Paulsen*, 30 F.3d 1475, 1478 (Fed. Cir. 1994) (applying "clearly erroneous" standard to an anticipation issue that turned on the proper construction of the word "computer" in the applicant's claims).

It is not a sufficient distinction to argue that claim construction is a legal interpretation as opposed to a factual one. Courts have also long deferred to agency views of the law and their own regulations. *Chevron, U.S.A., Inc. v. Natural Res. Def. Counsel, Inc.*, 467 U.S. 837 (1984); *Bowles v. Seminole Rock Co.*, 325 U.S. 410, 414 (1945). In *Chevron*, the Supreme Court held,

> The Court of Appeals misconceived the nature of its role. . . . Once it determined . . . that Congress did not actually have an intent regarding the . . . [meaning of statutory language], the question before it was . . . whether the administrator's view . . . is a reasonable one.

467 U.S. at 845.

> [T]he Administrator's interpretation represents a reasonable accommodation of manifestly competing interests and is entitled to deference: the regulatory scheme is technical and complex, the agency considered the matter in a detailed and reasoned fashion, and the decision involves reconciling conflicting policies.

Id. at 865; *see also Morganroth v. Quigg*, 885 F.2d 843, 848 (Fed. Cir. 1989); *Eastman Kodak Co. v. Bell & Howell Document Management Products Co.*, 994 F.2d 1569 (Fed. Cir. 1993), *Kubota v. Shibuya*, 999 F.2d 517, 521 (Fed. Cir. 1993).

This Court has recognized that deference is clearly in order in reviewing an administrative regulation, especially a technical one at issue:

> . . . [T]he agency's interpretation must be given "controlling weight unless it is plainly erroneous or inconsistent with the regulation." In other words, we must defer to the Secretary's interpretation unless an "alternative reading is compelled by the regulation's plain language or by other indications of the Secretary's intent at the time of the regulation's promulgation." *This broad deference is all the more warranted when, as here, the regulation concerns "a complex and highly technical regulatory program,"* in which the identification and classification of relevant "criteria necessarily require significant expertise and entail the exercise of judgment grounded in policy concerns."

Thomas Jefferson Univ. v. Shalala, 512 U.S. 504, 511 (1994) (emphasis added).

The courts also require deference to administrative agencies' interpretations of contracts. *See, e.g., Williams Natural Gas Co. v. FERC*, 3 F.2d 1544, 1549-51 (D.C. Cir. 1983); *Northwest Pipeline Corp. v. FERC*, 61 F.3d 1479, 1486 (10th Cir. 1995); *Western Union Tel. v. FCC*, 541 F.2d 346, 351 (3rd Cir. 1976). A patent is:

> a written contract between an inventor and the government. . . . The consideration given on the part of the inventor to the government is the disclosure of his invention in such plain and full terms that any one skilled in the art to which it appertains may practice it. The consideration on the part of the government given to the patentee for such disclosure is a monopoly for 17 years of

> the invention disclosed to the extent of the claims allowed in the patent.

Krupp A.G. v. Midvale Steel Co., 191 F. 588, 594 (3d Cir. 1911).

There can be no doubt that the USPTO has expertise in interpreting claim language. The USPTO issues the claims in the first instance after a thorough review by an examiner and that examiner's supervisor, both of whom are skilled in the art. *See American Hoist*, 725 F.2d at 1359; *Ultra-Tex Surfaces, Inc. v. Hill Bros. Chem. Co.*, 204 F.3d 1360, 1367 (Fed. Cir. 2000). There also can be no doubt that the language of claims can be highly technical in many circumstances. This court has also recognized that the USPTO is the institution having "primacy" ensuring the proper coverage of claims. *Warner-Jenkinson Co. v. Hilton Davis Chem. Co.*, 520 U.S. 17, 33 (1997). The PTO interprets claims far more frequently than any court, including the Federal Circuit, and will have more experience and expertise. Their determinations are national in scope. The decision regarding whether to grant or deny a patent turns on technical fact finding by the USPTO's examiners who are skilled in the art field in question.

In the *Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005) (*en banc*) decision, Judges Newman and Mayer noted that ignoring the factual components of claim construction was ignoring the reality that claim construction "is, or should be, made in context: a claim should be interpreted both in the perspective of one of ordinary skill in the art and in view of the state of the art at the time of the invention." 415 F.3d at 1332 (Mayer and Newman, JJ., dissenting). Judge Mayer noted those inquiries were "inherently factual." *Id.* The claim construction process

includes a great number of inherently factual inquiries, including:

- Who qualifies as one of ordinary skill in the art;
- The meaning of patent terms to that person;
- State of the art at time of the invention;
- Contradictory dictionary definitions which would be consulted by a skilled artisan;
- The scope of specialized terms;
- The problem the patent was solving;
- What is related or pertinent art;
- Whether a construction was disallowed during prosecution.

Blind adherence to a *de novo* standard of review ignores the factual underpinnings of the issue of claim construction and the superior position the USPTO examiners have in making such fact-bound determinations. *See Phillips*, 415 F.3d at 1328-35 (Mayer and Newman, JJ., dissenting). Here, the Federal Circuit gave the USPTO's extensive work over five years no deference whatsoever on the ground that the Court reviews claim construction *de novo*.[8] The *de novo* standard ignores that a claim should be construed from the perspective of one of ordinary skill in the art and in view of the state of the art at the time of the invention, all of which involve subsidiary factual findings.

[8] Even if this Court reviews matters *de novo*, it should not mean that the Court should overlook the prior history and all the evidence that was the basis for decisions of the persons skilled in the art. That is exactly what the Federal Circuit did regarding the USPTO's interpretation of the scope of claim 16.

See Multiform Desiccants, Inc. v. Medzam, Ltd., 133 F.3d 1473, 1477 (Fed. Cir. 1998).

This Court should resolve this issue and recognize that the USPTO as a specialized administrative agency is uniquely qualified and its determinations should be reviewed under a more deferential standard.[9] There is no logical reason that the same deference afforded to other administrative agencies should not be afforded to the highly specialized USPTO.

D. The required strong presumption of patent validity following reexamination is destroyed by the *de novo* standard of review.

By using the standard of *de novo* review of the USPTO's claim construction, courts render substantially meaningless 35 U.S.C. § 282, under which a "patent is

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[9] Courts routinely afford deference to administrative agencies on matters within their expertise, even when those matters concern legal issues such as statutory interpretation or interpretation of agency regulations. *See Chevron*, 467 U.S. at 843-44 (1984) (deferring to EPA's interpretation of Clean Air Act, and stating that court "may not substitute its own construction of a statutory provision for a reasonable interpretation made by the administrator of an agency"); *National Cable & Telecomms. Ass'n v. Brand X Internet Servs.*, 545 U.S. 967 (2005) (deferring to FCC's interpretation of Communications Act of 1934, as amended by Telecommunications Act of 1996); *Skidmore v. Swift & Co.*, 323 U.S. 134, 139-40 (1944) (agency actions entitled to judicial respect when reasonably taken and in accordance with the specialized experience of agency officials); *Hyatt v. Boone*, 146 F.3d 1348, 1355-56 (Fed. Cir. 1998) (appropriate to defer to USPTO's implementation of statute and regulations); *Arbor Foods, Inc. v. United States*, 97 F.3d 534, 538 (Fed. Cir. 1996) (deferring to U.S. Customs Service's interpretation of 19 U.S.C. § 81c(a), and stating "a court must defer to an agency's reasonable interpretation of a statute even if the court might have preferred another").

presumed valid." The USPTO examiners must understand the claim terms to make the initial validity determinations. The presumption of validity can only be overcome by the rigorous standard of clear and convincing evidence. *Schumer v. Lab. Computer Sys., Inc.*, 308 F.3d 1304, 1315 (Fed. Cir. 2002). "Thus, a moving party seeking to invalidate a patent at summary judgment must submit such clear and convincing evidence of invalidity so that no reasonable jury could find otherwise." *Eli Lilly & Co. v. Barr Labs., Inc.*, 251 F.3d 955, 962 (Fed. Cir. 2001). This presumption is based on the recognition that the USPTO is a highly-specialized government agency whose examiners and their supervisors are skilled in the art field in which they are reviewing patents. They necessarily have to construe claim language to make determinations about patentability and validity.

Moreover, when prior art that was considered by the Patent Examiner is relied upon by an accused infringer, as is the case here, the infringer

> has the added burden of overcoming the deference that is due to a qualified government agency presumed to have properly done its job, which includes one or more examiners who are assumed to have some expertise in interpreting the references and to be familiar from their work with the level of skill in the art and whose duty it is to issue only valid patents.

American Hoist, 725 F.2d at 1359; *see also Ultra-Tex*, 204 F.3d at 1367; *Hewlett-Packard Co. v. Bausch & Lomb, Inc.*, 909 F.2d 1464, 1467 (Fed. Cir. 1990) (burden of proving invalidity "especially difficult when the prior art was before the PTO examiner during prosecution.").

Upon reissue following reexamination, under 35 U.S.C. §§ 301-307, the presumption of validity remains unaltered and the burden of proving invalidity is made heavier. *Interconnect Planning Corp. v. Feil*, 774 F.2d 1132, 1139 (Fed. Cir. 1985). That required presumption of validity is completely erased by the *de novo* standard of review of claim construction. If the Federal Circuit can ignore the USPTO claim interpretations, there is no real presumption of validity, because validity is based on the USPTO's interpretation of the claims. The USPTO necessarily must interpret the claim terms to determine validity in the first instance. Here, the USPTO based years of work in the reexamination process on its claim constructions. By giving no deference to the USPTO's five-year extensive review of the very issue in the case, the Federal Circuit made all that work by the USPTO an exercise in futility. The presumption of validity in 35 U.S.C. § 282 and the heavier burden of proving invalidity after reexamination is meaningless if no deference is paid to that same agency's claim construction, which must be done by the agency for its validity determination.

E. The *de novo* standard of review puts the burden of claim construction on the party that has the least time and access to conduct proper review.

The Federal Circuit's opinion takes years of work by USPTO trained examiners in the particular art field and the review of a three-person panel of supervisors and essentially dismisses all that work with one sentence: "Furthermore, this court is not bound by the PTO's claim interpretation because we review claim construction *de novo*." 465 F.3d at 1351.

Ironically, the way the present standard of deference is applied, it has the Federal Circuit, the party with the least amount of time for review and the least effective means of review (lack of access to those skilled in the art for questioning, demonstratives, follow up analyses, searching ability for prior art and other technical assistance) completely ignore the parties with the best abilities to make those determinations. Trial courts have more time and better access to, and may be better able to evaluate, expert testimony concerning how those skilled in the art would interpret the claims. *See Cybor*, 138 F.3d at 1465, 1477, 1480. The USPTO has all that and much more, the institutional expertise of people skilled in the art field in question and access to others skilled in that art.

In sharp contrast, the Federal Circuit has briefs with inherent limits and fifteen minutes of oral argument per side. That is not an accurate way to make these critical determinations.

CONCLUSION

For all the foregoing reasons, SRAM respectfully requests that the Court grant its Petition for Writ of Certiorari, vacate the Federal Circuit Opinion, and affirm the judgment of infringement entered by the District Court.

Respectfully submitted,

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465 F.3d 1351

SRAM CORPORATION,
Plaintiff-Appellee,

v.

AD-II ENGINEERING, INC.,
Defendant-Appellant.

No. 05-1365.

United States Court of Appeals,
Federal Circuit.

Oct. 2, 2006.

Richard B. Walsh, Jr., Lewis, Rice & Fingersh, L.C., of St. Louis, MO, argued for plaintiff-appellee. With him on the brief were Frank B. Janoski, Keith J. Grady, and Michael J. Hickey.

Michael T. Brady, Miller & Chevalier Chartered, of Washington, DC, argued for defendant-appellant.

Before RADER, BRYSON, and LINN, Circuit Judges.

LINN, Circuit Judge.

AD-II Engineering, Inc. ("AD-II") appeals from an order of the United States District Court for the Northern District of Illinois denying AD-II's motion for partial summary judgment of invalidity of claim 16 of SRAM Corporation's ("SRAM") U.S. Patent No. 4,900,291 (the " '291 patent"), granting SRAM's cross-motion for partial summary judgment of no invalidity of claim 16 of the '291 patent, and entering judgment of liability in favor of SRAM and an injunction against AD-II. *See SRAM Corp. v. AD-II Eng'g, Inc.*, No. 00-CV-6675 and No. 01-CV-62 (N.D.Ill. Apr. 7, 2005) (*Final Order*). Because the district court erred in construing claim 16, we vacate the district

court's denial of partial summary judgment of invalidity, its grant of partial summary judgment of no invalidity, its judgment of liability in favor of SRAM, and its grant of an injunction against AD-II, and remand for further proceedings consistent with this opinion.

I. BACKGROUND

A bicycle gear-shifting system typically includes a shifter (or "shift actuator") at or near the handlebars, a derailleur to move the drive chain from one freewheel sprocket to another, and a control cable that connects the shifter to the derailleur. Like most mechanical systems, gear-shifting systems generally experience a certain amount of "play" due to looseness or yielding of components of the mechanism (*i.e.*, "cumulative lost motion"), which must be taken up before movement of the shifter causes a desired movement in the derailleur. This problem is particularly pronounced during down-shifting because of the need to move the drive train from a smaller to a larger sprocket. Bicycle gear-shifting systems commonly use "overshifting" to take up cumulative lost motion. Overshifting is movement of the shift actuator briefly beyond a destination position to take up all of the collective slack in the system and move the drive chain slightly beyond the destination sprocket before bringing the shift actuator back to its destination position and allowing the drive chain to move back into alignment with the destination sprocket.

Most gear-shifting systems of the prior art do not have any built-in mechanism to accomplish an overshift so as to provide a solution to the problem of cumulative lost motion. A rider using a prior art system must deliberately

overshift by moving the shift actuator farther than necessary, that is, beyond the destination position, so as to take up cumulative lost motion and be assured of a shift.

The single claim at issue in this case, claim 16 of the '291 patent, relates to a method of shifting between bicycle gears and reads as follows:

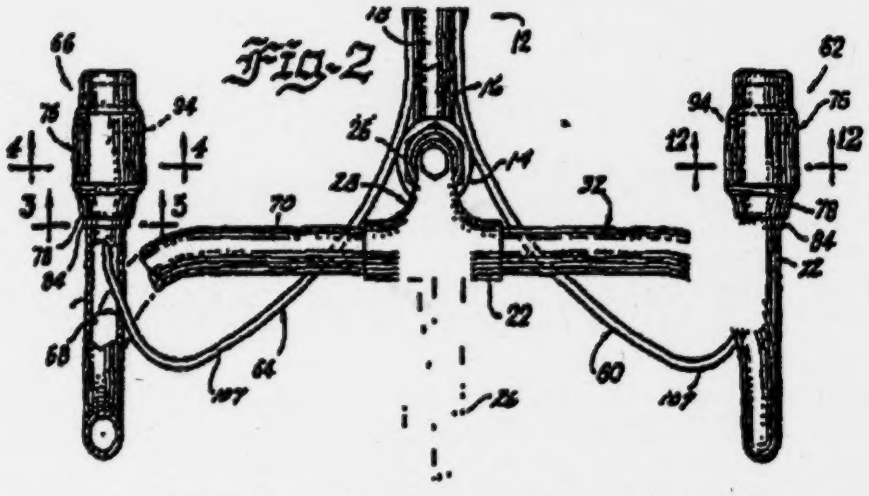
> In a bicycle derailleur gear shifting system having a rear derailleur shifting mechanism, a shift actuator *rotatably mounted on a bicycle handlebar generally coaxially of the handlebar, said shift actuator being mounted on and engaged over an outside of the handlebar inboard of a fixed handgrip on an end of the handlebar*, and control cable means operatively connecting said actuator to said shifting mechanism, a method of performing down-shifting events from a relatively smaller origin freewheel sprocket to a relatively larger destination freewheel sprocket, which comprises:
>
> first [moving] *rotating* said shift actuator a sufficient amount to take up substantially all of the cumulative lost motion in said derailleur mechanism and said cable means; and then [moving] *rotating* said shift actuator a further amount [to] *so* as to move the bicycle chain at least substantially the distance between the centers of said origin and destination sprockets.

'291 Reexamination Certificate, col. 4, l. 66 – col. 5, l. 17 (brackets indicate text deleted through amendment; italics indicate text added through amendment).

SRAM's patent discloses shift actuators having a mechanism that assures "precise" downshifting. No overshifting movement of the shift actuator is required

because the cumulative lost motion inherent in the system is always taken up by an internal mechanism, which provides for a built-in overshift. According to the '291 patent, "[b]uilt-in overshift is programmed on applicant's hand-grip shift actuator cams so as to provide optimum overshift for each down-shift event. Such overshift does not require separate manual input for the timing of the overshift; the natural rotational movement of the handlebar shift actuator automatically times the overshift." '291 patent, col. 6, ll. 14-19. The '291 patent discloses that "[a]n important aspect of the present invention" is to provide a shifting device configured to account for lost motion so that "each shift from one freewheel sprocket to another is an early, positive, and accurately aligned index shift." *Id.*, col. 5, l. 54 – col. 6, l. 5. SRAM's innovation thus permits the use of a detent-based (or "indexed") shift actuator that a rider need only move from one index position to the next to effect a positive shift independent of the cumulative lost motion present in the system. Because of this built-in overshift capability, SRAM's shift actuators are referred to by the parties and the district court as providing "precision indexed downshifting," an expression we also adopt herein.

The '291 patent describes and depicts several embodiments of shift actuators, mounted on a handlebar inboard of a "fixed handgrip." In one embodiment, the shift actuator is described as being "conveniently mounted over an end of the handlebar, as for example over an end of a traditional drop bar-type handlebar." '291 patent, col. 4, ll. 63-65; col. 9, ll. 31-33. Figure 2 depicts this embodiment:



As depicted above in Figure 2, the shift actuators are mounted over the ends of a traditional drop bar-type handlebar 32. *Id.*, col. 9, ll. 31-33. The handlebar 32 has "generally straight rearwardly directed end portions 72 over which handgrip shift actuators 62 and 66 of the invention are mounted." *Id.*, col. 9, ll. 41-46. During cycling, "a cyclist will normally grip the lower, end portions 72 of handlebar 32, forward of the shift actuators 62 and 66." *Id.*, col. 9, ll. 55-58.

Another embodiment, depicted below in Figure 45, discloses "conventional handgrips" that are "particularly suitable for 'mountain bikes' since riders of mountain bikes like the fixed handgrips at the ends of the handlebar for best control." *Id.*, col. 30, ll. 16-22. "Conventional left and right handgrips 374 and 376, respectively, are located on the ends of handlebar 372." *Id.*, col. 30, ll. 25-28. The handgrip shift actuators 378 and 380 are engaged over handlebar 372 immediately inboard of grips 374 and 376. *Id.*, col. 30, ll. 28-31.

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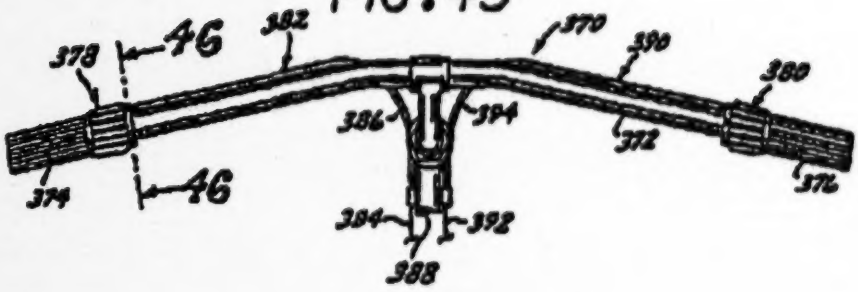
FIG. 45



AD-II manufactures and sells bicycle gear shifters. SRAM initiated a number of lawsuits in the United States against various customers of AD-II-bicycle distributors selling bicycles equipped with AD-II's gear shifters. On August 24, 2000, AD-II sought a declaratory judgment that the '291 patent was not infringed and was invalid and unenforceable. In that suit, AD-II also asserted claims of unfair competition and patent misuse. On October 26, 2000, SRAM filed suit against AD-II for infringement of claim 16 of the '291 patent. The cases were consolidated. While the consolidated cases were pending, this court decided an appeal from a companion case of *SunRace Roots, Enters. Co. v. SRAM Corp.*, 336 F.3d 1298, 1308 (Fed.Cir.2003), familiarity with which is presumed. In that case, we held that the ordinary meaning of the term "shift actuator" in claim 16 of the '291 patent is "a mechanism that controls the changing of the gears." *Id.* at 1302. We further held that the ordinary meaning controls and is not limited to a device containing a cam. *Id.* at 1307-08. On July 20, 2004, based in part on the claim construction set forth in *SunRace*, the district court in this case granted partial summary judgment to SRAM, holding that AD-II infringed claim 16 of the '291 patent. *See SRAM Corp. v. AD-II Eng'g Inc.*, 326 F.Supp.2d 903, 905 (N.D.Ill.2004) (*Infringement Order*).

In September 2004, AD-II filed a motion for partial summary judgment of invalidity of the '291 patent. AD-II submitted two pieces of prior art – U.S. Patent No. 4,260,171 issued to Foster (the "Foster reference") and Japanese unexamined patent publication no. 58-191682 (the "Japanese reference") – arguing that each was independently anticipatory of claim 16 of the '291 patent. On January 26, 2005, the district court denied the motion on the ground that there were facts in dispute.

On February 18, 2005, with AD-II's invalidity claims still pending, the parties agreed to enter into a joint stipulation to facilitate the district court's disposition of the invalidity challenge on summary judgment. In relevant part, the parties stipulated that, if the district court agreed to rule on certain claim construction issues raised by AD-II, the court could treat SRAM's response to AD-II's motion for partial summary judgment of invalidity as a cross-motion for partial summary judgment of no invalidity based on ADII's asserted defenses. On March 14, 2005, the district court held oral argument, addressed the claim construction issues raised by AD-II and, based on the parties' stipulation, found that there were no facts in dispute. The court ruled that "AD-II as a matter of law has not proven invalidity" by clear and convincing evidence and that summary judgment of liability would be appropriate. *See* Transcript of Oral Argument at 7, *SRAM Corp. v. AD-II Eng'g, Inc.*, No. 00-CV-6675 and 01-CV-62 (N.D.Ill. Mar. 14, 2005). On March 15, 2005, in accordance with its ruling at the oral argument, the district court issued an order, construing claim 16 as follows:

> (a) The term "fixed hand grip on the end of the handlebar" means a separate, fixed (non-rotating)

> hand grip situated over a handlebar, and not the handlebar itself.
>
> (b) Claim 16 of the '291 patent describes a method of precision indexed downshifting.

See SRAM Corp. v. AD-II Eng'g, Inc., No. 00-CV-6675 and 01-CV-62, slip op. at 1-2 (N.D.Ill. Mar. 15, 2005) (*Invalidity Order*) (citing *SunRace*, 336 F.3d at 1299-1300 as support for part (b)). Based on this claim construction, the district court held that, as a matter of law, the prior art submitted by AD-II does not anticipate the '291 patent because:

> (a) the Foster '171 patent does not describe a separate fixed handgrip;
>
> (b) the 'Japanese '682 reference' does not disclose a solution for the taking up of substantially all of the cumulative lost motion in the derailleur mechanism and cable system, and thus does not perform the method of precision indexed downshifting described in claim 16.

Id., slip op. at 2-3. In light of this holding, and in light of its July 20, 2004 Infringement Order, the district court concluded that SRAM was entitled to partial summary judgment of liability against AD-II, but stayed entry of the judgment in order for the parties to brief, and for the court to determine, whether such a judgment would be appealable to this court. *Id.*, slip op. at 3.

On April 7, 2005, the district court held a hearing on the issue of whether a partial summary judgment in favor of SRAM on the issues of infringement and validity would be appealable to this court. At the hearing, AD-II argued that an appeal would not be appropriate at this stage in the proceeding because the March 15 Invalidity Order, which issued after the Infringement Order, added a new

limitation, namely that of "precision indexed downshifting." AD-II argued that, because the "precision indexed downshifting" limitation was a newly added limitation, not addressed in the district court's July 20, 2004 Infringement Order, there was no determination whether AD-II infringes that new limitation. *See* Transcript of Oral Argument at 5-6, *SRAM Corp. v. AD-II Eng'g, Inc.*, No. 00-CV-6675 and 01-CV-62 (N.D.Ill. Apr. 7, 2005). The district court disagreed, holding that "it is beyond question that the AD-II shifters perform precision index downshifting" and also noting that, in the February 18, 2005 stipulation, AD-II stipulated that the March 15, 2005 Invalidity Order resolved all issues except damages. *Id.* at 7-8. Accordingly, on April 7, 2005, the district court issued a Final Order, entering partial summary judgment of no invalidity, of liability in favor of SRAM and issuing a permanent injunction against AD-II. *See Final Order*, slip op. at 3. AD-II timely appealed.

We have jurisdiction pursuant to 28 U.S.C. §§ 1292(a)(1) and (c)(1).

II. DISCUSSION

A. *Standard of Review*

We review a district court's grant of summary judgment without deference. *SmithKline Beecham Corp. v. Apotex Corp.*, 403 F.3d 1331, 1337 (Fed.Cir.2005). Summary judgment is appropriate when, based on the record, no genuine issue exists as to any material fact, and the moving party is entitled to judgment as a matter of law. *See* Fed.R.Civ.P. 56(c). A genuine issue exists if the evidence is such that a reasonable jury could find for the nonmoving party. *Anderson v. Liberty Lobby, Inc.*, 477 U.S.

242, 248, 106 S.Ct. 2505, 91 L.Ed.2d 202 (1986). A disputed fact is material if it might affect the outcome of the suit such that a finding of that fact is necessary and relevant to the proceeding. *Id.* at 248, 106 S.Ct. 2505. In determining whether a genuine issue of material fact exists, the court views the evidence in the light most favorable to the nonmoving party and resolves all doubts in its favor. *Id.* at 255, 106 S.Ct. 2505. If this court determines that no material facts remain in dispute, it may proceed to determine entitlement to judgment under the law. *SmithKline*, 403 F.3d at 1337 (citing *Eli Lilly & Co. v. Barr Labs., Inc.*, 251 F.3d 955, 962 (Fed.Cir.2001) for the proposition that "reversal is required if the district court engaged in a faulty legal analysis in applying the law to the facts and a correct application of the law to those facts might bring a different result" (internal quotation omitted)); *see also Anderson*, 477 U.S. at 248, 106 S.Ct. 2505.

When evaluating a motion for summary judgment, the court views the record evidence through the prism of the evidentiary standard of proof that would pertain at a trial on the merits. *Anderson*, 477 U.S. at 252-53, 106 S.Ct. 2505. Under the patent statutes, a patent enjoys a presumption of validity, *see* 35 U.S.C. § 282, which can be overcome only through facts supported by clear and convincing evidence, *see U.S. Surgical Corp. v. Ethicon, Inc.*, 103 F.3d 1554, 1563, (Fed.Cir.1997). Thus, a moving party seeking to invalidate a patent at summary judgment must submit such clear and convincing evidence of facts underlying invalidity that no reasonable jury could find otherwise. *See Perkin-Elmer Corp. v. Computervision Corp.*, 732 F.2d 888, 893 (Fed.Cir.1984).

Claim construction is a question of law that this court reviews de novo. *Cybor Corp. v. FAS Techs., Inc.*, 138 F.3d

1448, 1456 (Fed.Cir.1998) (*en banc*). Anticipation is a question of fact. *Med. Instrumentation & Diagnostics Corp. v. Elekta AB*, 344 F.3d 1205, 1220 (Fed.Cir.2003).

B. *Analysis*

AD-II argues that the district court erred in adjudging AD-II to be liable to SRAM and in issuing a permanent injunction against AD-II because the district court's underlying decisions were based on an incorrect claim construction. Specifically, AD-II argues that the district court erred in construing claim 16 as reciting "precision index downshifting," which, as discussed above, provides for an index shift actuator with built-in, automatic overshift capabilities to compensate for cumulative lost motion. *See Invalidity Order*, slip op. at 2. AD-II also argues that the district court erred in construing the term "fixed handgrip" to require a separate, fixed (non-rotating) hand grip situated over a handlebar, and not the handlebar itself.[1] *Id.* We address each disputed claim limitation in turn.

1. "Precision Index Downshifting"

As concerns the "precision index downshifting" limitation, AD-II first urges that we limit claim 16 to the cam

[1] Although the "fixed handgrip" limitation is a structural term appearing in the preamble of a two-step method claim, the parties do not dispute that it is a limitation. *See Pitney Bowes, Inc. v. Hewlett-Packard Co.*, 182 F.3d 1298, 1305 (Fed.Cir.1999) (holding that if, "when read in the context of the entire claim," the preamble "recites limitations of the claim . . . or . . . is 'necessary to give life, meaning, and vitality' to" the claim, the preamble language is properly treated as limiting).

apparatus disclosed in the specification. AD-II gives no persuasive reason why we should revisit our holding in *SunRace*, which rejected this argument, and we decline to do so. AD-II next points out that the claim language does not recite the term "precision indexed downshifting," and argues that the district court's construction erroneously alters the scope of claim 16 in that it adds a built-in overshift limitation. AD-II alleges that, without this added limitation, the Japanese reference anticipates claim 16 and the district court erroneously added the limitation so as to avoid invalidity. AD-II also argues that the doctrine of claim differentiation precludes the district court's interpretation because "precision index downshifting" is recited in claim 27, which expressly recites "indexed shifting."

SRAM asserts that the district court properly applied this court's analysis in *SunRace* and correctly construed claim 16 as reciting a method of "precision indexed downshifting." SRAM also argues that AD-II's claim differentiation argument lacks merit because claim 27, which depends from claim 16, recites a series of shifts whereas claim 16 recites one down-shifting event.

We agree with SRAM that AD-II's claim differentiation argument lacks merit because claim 27 recites a series of down-shifts and would not be rendered superfluous by the district court's claim construction. *See Tandon Corp. v. U.S. Int'l Trade Comm'n*, 831 F.2d 1017, 1023 (Fed.Cir.1987). Nevertheless, we find that the district court erred because claim 16 does not recite a method of "precision indexed downshifting."

Although the district court cited *SunRace*, 336 F.3d at 1299-1300, as support for its claim construction, *SunRace*

does not permit reading into claim 16 the extraneous limitation of "precision indexed downshifting" from the specification. In *SunRace*, this court construed the term "shift actuator" as used in the '291 patent and noted that the '291 patent describes a shift actuator that is designed to effect precise control over the movement of the derailleur through the use of indexed shifting, whereby movement of the shift actuator causes the derailleur to move the bicycle chain the precise distance necessary to effect a gear shift. *Id.* While *SunRace* observes that the *written description* of the '291 patent describes a gear-shifting system that enables "precise index shifting," *id.*, nothing in the *SunRace* decision requires that *claim 16* be construed to include that described method of "precision indexed downshifting."

Moreover, the district court erred in reading the extraneous "precision indexed downshifting" limitation from the specification into claim 16. Neither step in the two-step method claim recites "precision indexed downshifting." Indeed, claim 16 does not recite indexing at all. Claim 16 only recites a method of shifting wherein first, all of the cumulative lost motion is taken up and second, the bicycle chain moves between destination freewheel sprockets. All claim 16 requires is a method that takes up lost motion in a bicycle shifting mechanism and then moves the derailleur of that mechanism from one sprocket to another. Claim 16 does not recite that lost motion is taken up by a manual overshift and backshift motion or by an index shift actuator causing a built-in overshift and precise downshift between defined index positions (*e.g.*, by "precision indexed downshifting").

As noted above, the advantage of SRAM's disclosed method is that the need to move a shift actuator beyond an

index position, *i.e.*, the need to overshift, is obviated by the internal mechanism that automatically takes up the cumulative lost motion inherent in the system and, thus, provides for a built-in overshift. As stated in the patent, "[b]uilt-in overshift is programmed on applicant's hand-grip shift actuator cams so as to provide optimum over-shift for each down-shift event. Such overshift does not require separate manual input for the timing of the overshift; the natural rotational movement of the handle-bar shift actuator automatically times the overshift." '291 patent, col. 6, ll. 14-19. The '291 patent discloses that "[a]n important aspect of the present invention" is to provide a shifting device configured to account for lost motion so that "each shift from one freewheel sprocket to another is an early, positive, and accurately aligned index shift." *Id.*, col. 5, l. 54 – col. 6, l. 5. SRAM's innovation thus permits the use of a detent-based (or "indexed") shift actuator that a rider need only move from one index position to the next to effect a positive shift independent of the cumulative lost motion present in the system. By failing to recite any indexing, claim 16 fails to claim the positive indexing feature and recites nothing more than a broad method that applies both to indexed shifters and to non-index shifters alike. While SRAM strongly urges the court to interpret the claim to encompass the innovative precision indexing shifting feature it contends it has invented, we are powerless to rewrite the claims and must construe the language of the claim at issue based on the words used. *Hoganas AB v. Dresser Indus., Inc.*, 9 F.3d 948, 951 (Fed.Cir.1993). In this case, the words are clear and the claim covers no more than the recited method of taking up lost motion and effecting a shift.

SRAM also urges that we adopt the district court's construction of claim 16 as providing for "precision indexed downshifting" on the ground that, after three reexamination proceedings, the Patent Examiner – like the district court – construed claim 16 as providing "precision indexed downshifting" as a means to take up lost motion, and confirmed its patentability over prior art gear-shifting devices that require a user to manually overshift. This argument is not persuasive. While the Patent and Trademark Office (the "PTO") generally gives claims their broadest reasonable interpretation consistent with the specification, *see In re American Academy of Science Tech Center*, 367 F.3d 1359, 1364 (Fed.Cir.2004); *In re Bond*, 910 F.2d 831, 833 (Fed.Cir.1990), paradoxically in this case, the PTO construed the claim narrowly, rather than broadly, by reading in the same limitation as did the district court. In doing so, the PTO erred for the same reasons as did the district court. The Patent Examiner's actions thus provide no support for SRAM's argument. Furthermore, this court is not bound by the PTO's claim interpretation because we review claim construction *de novo*. *Cybor Corp.*, 138 F.3d at 1456.

Because the PTO's claim interpretation is flawed for the same reasons that the district court's construction fails, and because we are not bound to the PTO's claim interpretation, we decline to adopt the PTO's construction of claim 16.

2. "Fixed Handgrip"

Claim 16 recites that the shift actuators disclosed in the '291 patent are "mounted on and engaged over an outside of the handlebar inboard of a fixed handgrip on an

end of the handlebar." '291 Reexamination Certificate, col. 5, ll. 2-4. AD-II asserts that the district court erred in limiting the term "fixed handgrip" to a separate handgrip situated over a handlebar, arguing that the term "fixed handgrip" should also include the normal grip space on the handlebar itself, as is disclosed by the embodiment depicted Figure 2. SRAM counters that, in reciting that the handgrip is "on an end of the handlebar," claim 16 distinguishes between the handgrip and the handlebar such that the handgrip cannot be construed to include the handlebar.

We conclude that the district court correctly construed the term "fixed handgrip on the end of the handlebar" to mean a separate handgrip situated over a handlebar, and not a part of the handgrip space on the handlebar itself. Claim 16 recites a handgrip situated "on" the handlebar, rather than a handgrip that is part "of" the handlebar. Moreover, claim 16 recites a "fixed" handgrip, which, as disclosed in the specification, refers to "conventional handgrips" that are separate features "located on the ends of [the] handlebar" and are depicted in Figure 45. '291 patent, col. 30, ll. 19-27, Fig. 45.

The prosecution history supports that the "fixed handgrip" limitation of claim 16, which was added during reexamination in light of the Foster reference, was meant to capture the embodiment depicted in Figure 45 rather than the embodiment depicted in Figure 2. The applicant explained that "[f]or the disclosure of these limitations in the patent [*i.e.*, including the "fixed handgrip" limitation], the Examiner is referred to the descriptions of the 'Inboard Handgrip Shift Actuators' starting in line 15 of column 30 of the '291 patent." That portion of the '291 patent specification is the portion addressing mountain bikes, and

specifically refers to "conventional handgrips" or "fixed handgrips at the ends of the handlebar" as structures distinct from the handlebar itself. '291 patent, col. 30, ll. 19-22, Figure 45.

3. Anticipation

AD-II argues that we should hold claim 16 invalid as anticipated by the Foster reference or the Japanese reference. Given the unclear record before us, the indeterminate stipulations of the parties, and the factual nature of the anticipation issue, we leave this determination to the district court for resolution on remand.

III. CONCLUSION

For the foregoing reasons we vacate the district court's judgment and remand to the district court for further proceedings consistent with this opinion.

VACATED AND REMANDED

IV. COSTS

No costs.

326 F.Supp.2d 903

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

SRAM CORPORATION, Plaintiff, v. AD-II ENGINEERING, INC., Defendant.	No. 00 C 6675 Judge Robert W. Gettleman
AD-II Engineering, Inc., Plaintiff, v. SRAM Corporation, Defendant.	No. 01 C 0062

MEMORANDUM OPINION AND ORDER

In these consolidated cases, SRAM Corporation sued defendant AD-II Engineering, Inc., for infringement of two patents: No. 5,662,000 (the "'000 patent") and U.S. Patent Reexamination Certificate B 1 4,900,291 (the "reexamined '291 patent"). AD-II sued SRAM for a declaration of non-infringement, tortious interference with prospective business relations, unfair competition and violation of the Lanham Act, and violations of the Illinois Uniform Deceptive Trade Practices Act, and Illinois common law. On July 28, 2002, the parties entered into a Stipulation for entry of final judgment and dismissal of claims ("Stipulation") relating to the reexamined '291 patent based upon a ruling

in *SunRace Roots Enterprise Co., Ltd. v. SRAM Corp.*, Case No. C00-03217VRW (N.D. Ca. 2001), narrowly construing the term "shift actuator" as used in Claim 16 of the reexamined '291 patent as "a mechanism for controlling the changing of gears that contains a cam configured with a series of lobes and volleys that rotates so as to engage a cam follower."

Because it is undisputed that AD-II's devices in question do not contain a cam and thus do not infringe under that construction, the parties entered into the Stipulation dismissing the claims based on the reexamined '291 patent while SRAM pursued its appeal in *SunRace*. Under that Stipulation, SRAM reserved the right to refile its claims against AD-II within 60 days following the issuance of the Federal Circuit's mandate in *SunRace* "if the Federal Circuit construes the relevant terms of the reexamined '291 patent and no issues of claim construction remain for the district court."

On July 17, 2003, the Federal Circuit reversed the district court in *SunRace,* and construed the term "shift actuator" in the '291 patent to mean "a mechanism that controls the changing of gears." *SunRace Roots Enterprise Co., Ltd. v. SRAM Corp.*, 336 F.3d 1298, 1302, 1307-08 (Fed. Cir. 2003). Consistent with the terms of the Stipulation, SRAM has refiled its claim that AD-II's devices infringe Claim 16 of the reexamined '291 patent. SRAM thereafter moved for partial summary judgment of infringement of Claim 16. AD-II contested, arguing first that SRAM's refiling of its claim was premature under the terms of the Stipulation, second that once properly construed Claim 16 must be limited to the apparatus disclosed in the specifications or it is invalid, and third that there are material issues of fact as to when and how

AD-II's shifters take up "lost motion" and whether the shifters have the "control cable means" required by Claim 16.

After SRAM's summary judgment motion was fully briefed, AD-II moved to amend its pleading, seeking to add a defense of invalidity of the '291 patent for failure to meet the written description requirement of 35 U.S.C. § 12 ¶ 1. The court stayed ruling on the summary judgment motion until AD-II's motion to amend was fully briefed. Both motions are now fully briefed and, for the reasons set forth below, SRAM's motion for summary judgment is granted and AD-II's motion to amend is denied.

DISCUSSION[1]

I. SRAM's Motion for Summary Judgment

SRAM has moved for summary judgment of infringement on Claim 16 of its reexamined '291 patent. The '291 patent "contains both method and apparatus claims related to gear-shifting on multi-speed bicycles through the use of a shift actuator that is designed to effect precise control over the movement of the derailleur." *SunRace,* 336 F.3d at 1299. The apparatus claims include the limitation of a "hand grip shift actuator cam means" or a "hand grip shift actuator indexing cam means." *Id.* The method claims of the reexamined '291 patent, including Claim 16, make no reference to a cam. *Id.*

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[1] A discussion of the history of the litigation between SRAM and AD-II and a description of the devices and patents in question can be found in this court's opinion granting summary judgment of infringement to SRAM on its '000 patent. *SRAM Corp. v. AD-II Engineering, Inc.*, 252 F.Supp.2d 712 (N.D. Ill. 2003).

Claim 16, as found in the reexamined '291 patent, provides:

> In a bicycle derailleur gear shifting system having a rear derailleur shifting mechanism, a shift actuator rotatably mounted on a bicycle handle bar generally coaxially of the handlebar, said shift actuator being mounted on and engaged over an outside of the handle bar inboard of a fixed hand grip on an end of the handlebar, and control cable means operatively connecting said actuator to said shifting mechanism, a method of performing down-shifting events from a relatively smaller origin free wheel sprocket to a relatively larger destination free wheel sprocket, which comprises:
>
> > First rotating said shift actuator a sufficient amount to take up substantially all of the cumulative lost motion in said derailleur mechanism and said cable means; and then rotating said shift actuator a further amount so as to move the bicycle chain at least substantially the distance between the centers of said origin and destination sprocket.

SRAM argues that the undisputed facts demonstrate that the AD-II devices infringe all elements of Claim 16, when the term "shift actuator" is given its ordinary meaning as required by *SunRace,* 336 F.3d at 1307-08.

As an initial matter, AD-II argues that SRAM's refiling of the claims based on the reexamined '291 patent is premature under the terms of the Stipulation. AD-II is wrong. Paragraph 8 of the Stipulation provides that if the Federal Circuit "does not affirm the claim construction" in *SunRace,* then SRAM may elect to refile its claim with

respect to the reexamined '291 patent within 60 days of any of the following events:

> (a) if the Federal Circuit remands an issue or issues of claim construction to the district court and the SunRace litigation resumes as a result of that ruling, then SRAM may elect to refile its claim against AD-II after the district court in the resumed SunRace litigation construes the relevant claims of the reexamined '291 patent;
>
> . . .
>
> (c) if the Federal Circuit construes the relevant terms of the reexamined '291 patent and no issues of claim construction remain for the district court, then SRAM may elect to refile its claim against AD-II within 60 days following the issuance of the Federal Circuit's mandate in conjunction with that appeal.

AD-II argues that *SunRace* simply reversed the district court's construction of the term "shift actuator," and then remanded for the district court to construe the term anew, therefore triggering subsection (a) of paragraph 8 of the Stipulation. That position is incorrect. The *SunRace* court reversed the district court's construction and held that "the ordinary meaning of the term shift actuator controls. . . ." *SunRace,* 336 F.3d at 1307-08. The district court had already held, and the parties had agreed, that the ordinary meaning of the term shift actuator is "a mechanism that controls the changing of gears." *Id.* at 1301-02. It was that definition that the Federal Circuit determined should apply. *Id.* at 1307-08. The court then remanded to the district court for proceedings consistent with its opinion, meaning that the district court should continue the case with the term shift actuator

construed as a mechanism that controls the changing of gears. Therefore, subparagraph (c) of the Stipulation applies, and SRAM's refiling is timely.

Next, AD-II argues that despite the plain wording of Claim 16 and the Federal Circuit's opinion in *SunRace,* any construction of the claim that is not limited to the particular cam mechanism disclosed in the specification's description of the preferred embodiment renders the claim invalid for two reasons: (1) the claim fails to meet the enablement requirement of § 112, ¶ 1; or (2) the claim must be construed as a step-plus-function claim under § 112, ¶ 6, which would incorporate the cam mechanism, or would be invalid as reading on prior art. AD-II is wrong on both arguments.

35 U.S.C. § 112, ¶ 1 dictates that a patent specification shall contain:

> a written description of the invention, and of the manner and process of making it and using it, in such clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is mostly connected, to make and use the same, and shall set forth the best mode contemplated by the inventor of carrying out his invention.

This paragraph contains three separate requirements: (1) the written description requirement; (2) the enablement requirement; and (3) the best mode requirement. AD-II's first argument focuses on the enablement requirement. Specifically, AD-II argues that because the *SunRace* court "recognize[d] that the written description does not explicitly address the claim method," instead focusing "exclusively on the gear shifting systems themselves," 336

F.3d at 1315, unless the method claimed in Claim 16 is limited to the operation of the apparatus disclosed in the specification, claim is invalid under § 112, ¶ 1 because the method is not enabled by the specification.

This argument was raised and rejected by the Federal Circuit in *SunRace*. "[N]othing in the written description indicates that the invention is exclusively directed toward cams or suggests that systems not employing cams are outside the scope of the invention. Thus, while it is clear that the patentee was primarily focused on an embodiment of his invention using a cam, nothing in the patent limits the claim to that embodiment." *Id.* At 1305. Therefore, it is clear that the Federal Circuit regarded the written description as sufficient to satisfy ¶ 1. The written description provides sufficient detail so that one skilled in the art can make and use the invention. It need not do more. An applicant is not required to describe every possible future embodiment of his invention. *Id.* at 1305; *Rexnord Corp. v. Laitram Corp.,* 274 F.3d 1336, 1344 (Fed. Cir. 2001).

Next, AD-II argues that if Claim 16 is construed to read on all shifters, including those without cams, the claim is invalid as reading on some unspecified prior art. Therefore, AD-II asserts, because claims must be construed to preserve their validity, either the "cable control means" of Claim 16 requires the use of special cable connecting to a cam as described in the specification, or the entire claim must be construed as a step-plus-function claim under 35 U.S.C. § 112, ¶ 6.

This argument fails on a number of accounts. First, AD-II fails to identify a single prior art reference that it contends invalidates Claim 16. As SRAM notes, at least 90

prior art references were considered during the reexamination process, and the patent examiner determined Amended Claim 16 to be valid over all of them. Additionally, the Federal Circuit reviewed the prosecution history and explained why Claim 16 was valid over the prior art, without any cam mechanism requirement. *SunRace,* 336 F.3d at 1300-01.

Moreover, Claim 16 cannot be considered a step-plus-function claim pursuant to § 112, ¶ 6. Even the case on which AD-II relies, *O.I. Corp. v. Tekmar Co.,* 115 F.3d 1576, 1582-83 (Fed. Cir. 1997), fails to support its argument. 35 U.S.C. § 112 ¶ 6 provides that:

> An element in a claim for a combination may be expressed as a means or step for performing a specified function without the recital of the structure, material or acts in support thereof, and such claims shall be construed to cover the corresponding structure, material, or acts described in the specification and equivalents thereof.

In discussing the meaning of this paragraph, and the terms used therein, *O.I. Corp.* states (*id.* (emphasis in original)), that:

> the word 'means' clearly refers to the generic description of an apparatus element, and the implementation of such a concept is obviously by structure or material. We interpret the term 'steps' to refer to the generic description of elements of a process, and the term 'acts' to refer to the implementation of such steps. This interpretation is consistent with the established correlation between means and structure. In this paragraph, structure and material go with means, acts go with steps. Of course, as we have indicated, § 112, ¶ 6, is implicated only when

> means *plus* function without definite structure are present, and that is similarly true with respect to steps, that the paragraph is implicated only when *steps plus function* without acts are present.

In the instant case, as AD-II's own brief (p. 11) admits, "steps plus function with acts are present." Claim 16 describes the steps: (1) taking up substantially all of the cumulative lost motion; and (2) moving the bicycle chain at least substantially the distance between the centers of said origin and destination sprockets. Claim 16 also describes the acts taken to implement the steps: (1) rotating the shift actuator a sufficient amount to take up substantially all of the cumulative lost motion; and (2) rotating the shift actuator a further amount so as to move the bicycle chain. Because the claim contains step plus function with acts, § 112, ¶ 6 is not implicated. *Id.*

Finally, AD-II argues that even if Claim 16 is construed broadly as the Federal Circuit has required in *SunRace,* summary judgment of infringement is inappropriate because there remains a question of fact as to whether AD-II's shifters take up "substantially all of the cumulative lost motion" in the cable control means and derailleur in step 1. Unfortunately for AD-II, its own expert, SRAM's expert, and AD-II's Fed. R. Civ. P. 30(b)(6) deponent have all indicated that AD-II devices performed the method described in step 1, albeit without a cam. Accordingly, because AD-II's devices satisfy all elements of Claim 16 on the reexamined '291 patent, SRAM's motion for summary judgment of infringement is granted.

II. AD-II's Motion to Amend

After SRAM moved for summary judgment, AD-II moved to amend its pleadings to add a defense that the '291 patent was invalid for failure to comply with the written description requirement of § 112, ¶ 1. AD-II's excuse for seeking leave at such late date is that it "believed that its pending defense of invalidity for failure to satisfy the enablement requirement encompassed the written description defense, based on prior Federal Circuit authority indicating that the purpose of the written description is to provide enabling disclosures." AD-II argues that the Federal Circuit's recent opinion in *University of Rochester v. G.D. Searle & Co., Inc.*, 358 F.3d 916 (Fed. Cir. 2004), for the first time, strongly suggests that each defense must be pleaded separately.

Once again, AD-II's reading of the relevant case law is incorrect. *University of Rochester* clearly states that, "in addition, and most significantly, our precedent clearly recognizes a separate [from the enablement and best mode] written description requirement." *Id.* at 922. Indeed, when discussing the three requirements of § 112, ¶ 1, the court, citing *In re Alton,* 76 F.3d 1168, 1172 (Fed. Cir. 1996), noted that although there is often significant overlap between the three requirements, they are nonetheless independent of each other. *Id.* at 921. Moreover, as *University of Rochester* makes clear, the Supreme Court in 2002 had acknowledged the written description requirement as distinct not only from the best mode requirement, but also from enablement. *Id.* (*citing Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. 722, 736 (2002)). Thus, *University of Rochester* lends no support for AD-II's mistaken belief that its enablement defense encompassed its written description defense, and provides

no justification for its failure to raise the defense in its initial pleadings.

Finally, leave to amend should be denied where, as here, the amendment would be futile. *See Foman v. Davis,* 371 U.S. 178, 182 (1962). As noted, the Federal Circuit in *SunRace* reviewed the written description and found nothing lacking. Indeed, the Federal Circuit firmly and specifically rejected the notion that the '291 patent is limited to a shifter using cams – the very proposition AD-II seeks to advance in the instant case. *SunRace,* 336 F.3d at 1305. Accordingly, AD-II's motion to amend is denied.

CONCLUSION

For the reasons set forth above, SRAM's motion for summary judgment of infringement is granted and AD-II's motion to amend is denied. This matter is set for a report on status on August 3, 2004, at 9:00 a.m.

ENTER: July 20, 2004

/s/ Robert W. Gettleman
Robert W. Gettleman
United States District Judge

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

SRAM corporation, Plaintiff,	)	
v.	)	00 C :6675
AD-II Engineering, Inc., Defendant.	)	~~00 C 62~~ Judge Robert W. Gettleman
AD-II Engineering, Inc., Plaintiff,	)	
v.	)	
SRAM corporation, Defendant.	)	

ORDER

This matter came before the court for a continued hearing on AD-II's Motion for Entry of Injunction or, Alternatively, for Reconsideration, along with the Joint Stipulation and Statement of Issues of the Parties. After having considered the arguments of counsel at the hearing on February 22, 2005 and this date, and having reviewed AD-II's motions for judgment previously considered and decided on October 18, 2004, for the reasons stated on the record this date, the court orders as follows:

1. The court makes the following claim construction of claim 16 of SRAM's patent No. 4,900,291 (the "'291 patent"):

(a) The term "fixed hand grip on the end of the handlebar" means a separate, fixed

(non-rotating) hand grip situated over a handlebar, and not the handlebar itself.

(b) Claim 16 of the '291 patent describes a method of precision indexed downshifting. See, *Sunrace Roots Enterprise Co. v. SRAM Corporation,* 336 F.3rd 1298, 1299-1300 (Fed. Cir. 2003).

2. Based on the above claim construction, AD-II stipulates that there are no contested material issues of fact, and has previously stipulated, along with SRAM, that SRAM's summary judgment motion papers shall be construed as a cross-motion for partial summary judgment on the issues of validity and liability. In the Joint Stipulation filed on filed on [sic] February 18, 2005. AD-II also waived:

> "all other affirmative claims remaining in these consolidated cases, if any, (and also waives any related defense to SRAM's claim for infringement of claim 16 of its '291 Patent based on those affirmative claims) including its tortious interference claim and related claims, related claims under the Lanham Act, Illinois common law and tort law, the Illinois Uniform Deceptive Trade Practices Act, and the law relating to unfair trade practices, and AD-II's patent misuse claim."

3. Accordingly, the court finds that the prior art submitted by AD-II neither anticipates nor renders obvious the '291 Patent, because:

a. The Foster '171 patent does not describe a separate fixed handgrip;

b. The "JP '682 reference" does not disclose a solution for the taking up of substantially all of the cumulative lost motion in the derailleur mechanism and cable system, and thus

does not perform the method of precision indexed downshifting described in claim 16; and

c. The Foster '171 patent and the JP '682 reference, taken together, do not render the '291 Patent obvious because neither discloses a method for taking up of substantially all of the cumulative lost motion in the derailleur mechanism and cable system.[1]

4. In light of the court's previous ruling that the AD-II's accused device infringes the '291 Patent, and the above ruling that holds that AD-II has failed to meet its burden of proving invalidity of the '291 Patent by clear and convincing evidence or otherwise, the court concludes that SRAM is entitled to partial summary judgment of liability against AD-II. The court stays entry of partial summary judgment, however, in light of the following schedule that includes a briefing and determination of the appealability of this order.

5. The parties are directed to submit, on or before March 25, 2005, memoranda addressing the following issues:

a. Whether 28 U.S.C. § 1292(c)(2) allows an immediate appeal from the entry of partial summary judgment of liability to the Court of Appeals for the Federal Circuit. This issue includes determining whether "an accounting" is the equivalent of the determination of

[1] Additionally, given that the court has ruled on claim construction as requested by AD-II in its Motion for Entry of Injunction or, Alternatively, for Reconsideration, AD-II, in the Joint Stipulation filed on filed on [sic] February 18, 2005, has waived its obviousness claim and defense.

damages, which is the only issue left for this court to decide in this case.

b. Whether, in light of SRAM's position that liability and damages should not be bifurcated and that it wants a jury trial on the issue of damages, AD-II can request the court to issue an injunction or whether the court may issue an injunction on its own motion, thus allowing an immediate appeal under 28 U.S.C. § 1292(b).

c. The scope of the additional discovery as addressed by the court on the record and in its order of October 18, 2004. AD-II is directed to include in this portion of its memorandum its objections to SRAM's proposed expert testimony.

d. The scope and length of the proposed trial on the issue of damages.

6. This matter is set for a hearing on April 7, 2005, at 10:30 a.m.

ENTER: March 15, 2005

/s/ Robert W. Gettleman
Robert W. Gettleman
United States District Judge

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

SRAM CORPORATION, Plaintiff, v. AD-II ENGINEERING, INC., Defendant.	No. 00 C 6675 Judge Robert W. Gettleman
AD-II ENGINEERING, INC., Plaintiff, v. SRAM CORPORATION, Defendant.	No. 01 C 62 Judge Robert W. Gettleman

ORDER

By order dated March 15, 2005, this court construed claim 16 of SRAM Corporation's U.S. Patent No. 4,900,291 (the "'291 patent"), and found that based on that construction AD-II Engineering, Inc. had failed to meet its burden of proving invalidity of the '291 patent. The court also concluded that SRAM is entitled to summary judgment of liability against AD-II, and asked the parties to submit memoranda addressing whether 28 U.S.C. § 1292(c)(2) allows an immediate appeal from the entry of partial summary judgment of liability, along with other issues related to a possible trial on damages. Both parties have filed additional memoranda agreeing that § 1292(c)(2) allows an immediate appeal with or without the entry of an injunction, although both parties also agree that the

court can enter an injunction on its own motion or on the motion of either party.

AD-II's memorandum additionally raises the possibility that a further proceeding is required to determine whether the court's previous finding of infringement of the '291 patent is affected in some way by the construction of claim 16 contained in the March 15, 2005, order, suggesting that "this court has not decided whether or not AD-II's Microshift gear shifters perform claim 16's 'method of precision indexed gear down shifting' as claim 16 was construed in this court's [March 15] order. . . ." Of course, the extensive record in this case establishes without question or contest that AD-II's shifters perform precision indexed downshifting.

Additionally, AD-II's position neglects its stipulation filed on February 18, 2005, in which AD-II waived "all other affirmative claims remaining in these consolidated cases, if any, (and also waives any related defense to SRAM's claim for infringement of claim 16 of its '291 Patent based on those affirmative claims) . . . " along with its related Lanham Act and state law claims. (Joint Stipulation and Statement of Issues of the Parties, ¶ II (A)(5), p. 5). In addition, in that same stipulation, AD-II stipulated: "if issues of fact pertaining to that defense [of invalidity] are eliminated by resolution of AD-II's pending motion (or by resolution of the parties' cross-motions for partial summary judgment . . .), then only the question of damages will remain in these consolidated cases." *Id.* at ¶ III (A).)

Thus, AD-II has stipulated that the resolution of the claim construction of claim 16 as determined in the March 15 order resolved all liability issues, both invalidity and

infringement, leaving only the issue of damages to be decided. Although SRAM requests that the court set a jury trial on the issue of damages, there is a great deal of disagreement between the parties concerning the amount of discovery necessary to bring that issue to trial and the length of any such trial. The court, in the exercise of its discretion, declines to hold a damage trial at this stage, given the immediate appealability of the findings of infringement and the failure by AD-II to meets its burden of proving invalidity of the '291 patent. Finally, plaintiff has requested that the court issue an injunction against AD-II prohibiting further infringement of the '291 patent. AD-II, while noting its objection to the finding of liability, agrees that an injunction would be appropriate at this time.

CONCLUSION

For the foregoing reasons, the court hereby enters partial summary judgment of liability in favor of SRAM Corporation and against AD-II Engineering, Inc. based on the court's finding that AD-II has infringed SRAM's U.S. Patent No. 4,900,291, and that AD-II has failed to prove invalidity. In addition, each of AD-II and its officers, agents, servants, employees, and attorneys, and those persons or entities in active concert or participation therewith who receive actual notice of this permanent injunction, are hereby permanently constrained and enjoined from the date of this permanent injunction until the expiration of the '291 patent from infringing the '291 patent by making, having made, using, offering to sell, or selling in the United States, importing into the United States, or inducing or contributing to such making, using, offering to sell, selling or importing by others into or with

respect to the United States, bicycle gear shifters found in this action to infringe the '291 patent, and any colorable imitations thereof. The court hereby stays the issue of an accounting or damages until the appeal of the partial summary judgment order of liability and the injunction is concluded.

ENTER: April 7, 2005

/s/ Robert W. Gettleman
Robert W. Gettleman
United States District Judge

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

05-1365

SRAM CORPORATION,

Plaintiff-Appellee,

v.

AD-II ENGINEERING, INC.,

Defendant-Appellant.

ORDER

(Filed Dec. 15, 2006)

A combined petition for panel rehearing and for rehearing en banc having been filed by the Appellee, and a response thereto having been invited by the court and filed by the Appellant, and the petition for rehearing and response, having been referred to the panel that heard the appeal, and thereafter the petition for rehearing en banc and response having been referred to the circuit judges who are in regular active service,

UPON CONSIDERATION THEREOF, it is

ORDERED that the petition for panel rehearing be, and the same hereby is, DENIED and it is further

ORDERED that the petition for rehearing en banc be, and the same hereby is, DENIED.

The mandate of the court will issue on December 22, 2006.

FOR THE COURT,

/s/ Jan Horbaly [AMT]
Jan Horbaly
Clerk

Dated: 12/15/2006

cc: Michael T. Brady
Richard B. Walsh, Jr.

SRAM CORP V AD-II ENGINEERING, 2005-1365
(DCT – 00-CV-6675)

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Supreme Court, U.S.
FILED
APR 20 2007
OFFICE OF THE CLERK

No. 06-1275

IN THE
Supreme Court of the United States

SRAM CORPORATION,
Petitioner,

v.

AD-II ENGINEERING, INC.,
Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

OPPOSITION TO PETITON FOR WRIT OF CERTIORARI

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STATEMENT OF CORPORATE OWNERSHIP

AD-II Engineering, Inc., is a corporation of the Republic of Taiwan. No parent corporation or publicly held company owns 10% or more of AD-II Engineering's stock.

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SUMMARY OF ARGUMENT

SRAM asserts that the Courts of the United States should defer to the constructions given patent claims by the United States Patent and Trademark Office ("PTO"). In this instance, however, the Federal Circuit determined that the PTO erred in its claim construction, and SRAM did not seek review of that ruling. SRAM's questions regarding judicial deference are entirely hypothetical because the PTO claim construction is invalid.

SRAM has waived the Questions Presented, both because it asserted the contrary below when it agreed that the Federal Circuit must apply a "de novo" standard of review, and because it never raised or preserved its present position.

SRAM presents no legal argument. Its policy argument is so divorced from jurisprudence that SRAM not only completely fails to mention the controlling statutory directive, the Administrative Procedures Act, it fails to recognize that the federal courts cannot defer to the PTO claim constructions in the first instance because the PTO construes patent claims under different legal standards from those used by the federal courts.

I. THE QUESTIONS PRESENTED ARE HYPOTHETICAL

The Federal Circuit ruled that the PTO erred in its claim construction both for procedural and for substantive reasons. Procedurally, the PTO failed to give the claim terms their broadest reasonable meaning, and substantively it made the same claim construction errors as did the district court.[1] Independently, the Federal Circuit noted it was not bound by the PTO's claim construction because it reviews district court claim constructions *de novo*. *SRAM Corp. v. AD-II Eng'g, Inc.*, 465 F.3d 1351, 1359 (Fed. Cir. 2006) ("*SRAM Corp.*").

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[1] SRAM also urges that we adopt the district court's construction of claim 16 as providing for "precision indexed downshifting" on the ground that, after three reexamination proceedings, the Patent Examiner -- like the district court -- construed claim 16 as providing "precision indexed downshifting" as a means to take up lost motion, and confirmed its patentability over prior art gear-shifting devices that require a user to manually overshift. This argument is not persuasive. While the Patent and Trademark Office (the "PTO") generally gives claims their broadest reasonable interpretation consistent with the specification, see *In re American Academy of Science Tech Center*, 367 F.3d 1359, 1364 (Fed. Cir. 2004); *In re Bond*, 910 F.2d 831, 833 (Fed. Cir. 1990), paradoxically in this case, the PTO construed the claim narrowly, rather than broadly, by reading in the same limitation as did the district court. In doing so, the PTO erred for the same reasons as did the district court. The Patent Examiner's actions thus provide no support for SRAM's argument. Furthermore, this court is not bound by the PTO's claim interpretation because we review claim construction de

(footnote continued on next page)

Because SRAM's Petition does not seek review of the Federal Circuit's determination that the PTO erred in its claim construction, there is no valid PTO claim construction to which the federal courts could defer. The Questions Presented are hypothetical and non-justiciable.

II. SRAM WAIVED THE QUESTIONS PRESENTED

Federal Circuit Rule 28(10) requires the parties to an appeal to state "the standard of review" in their argument. SRAM complied by offering the very proposition it now argues the Federal Circuit was wrong to accept:

> SRAM agrees that this Court's standard of review is de novo on the following issues: the District Court's claim construction rulings and the District Court's grant of summary judgment to SRAM.

Corrected Brief of Plaintiff-Appellee SRAM Corporation at 37, *SRAM Corp.*, 465 F.3d 1351 (Fed. Cir. 2006) (No. 05-1365). SRAM thus waived its Questions Presented.

(footnote continued from previous page)

> novo. *Cybor Corp.* [*v. FAS Techs, Inc.*], 138 F.3d [1448,] at 1456 [(Fed. Cir. 1998) (en banc)].

SRAM Corp. v. AD-II Eng'g, Inc., 465 F.3d 1351, 1359 (Fed. Cir. 2006) ("*SRAM Corp.*"). Pursuant to this Court's Rule 15.2, it is noted that SRAM denies the existence of this portion of the Federal Circuit's opinion. Pet. at 11-12 ("Yet the Federal Circuit did not even discuss or interpret what the USPTO did."); *see also id.* at 7 ("no discussion of the prosecution history"); *id.* at 8 ("The Federal Circuit's opinion ignores the USPTO's prosecution history related to claim 16").

Nor did SRAM raise the Questions Presented or their legal antecedents in the district court or in the Federal Circuit until its Petition for Rehearing or Rehearing En Banc. SRAM raised no claim construction issues at all in the district court, *id.* at 26 (SRAM "never raised any claim construction issues in its opposition to AD-II's motion" for summary judgment), and instead of arguing deference SRAM argued that the claim should be construed according to the ordinary and customary meaning of its terms.[2]

SRAM falsely represents that the district court "reviewed" and "followed" the PTO's claim construction, and construed the claim "according to" the PTO's construction.[3]

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[2] Joint Appendix at A576, *SRAM Corp.* (SRAM Corporation's Memorandum in Support of Its Motion for Summary Judgment of Infringement of Claim 16 of U.S. Patent Reexamination Certificate No. B1 4,900,291 at 6, *SRAM Corp. v. AD-II Eng'g, Inc.*, 326 F. Supp.2d 903 (N.D. Ill. Sept. 12, 2003) (No. 00-CV-6675) ("The Federal Circuit held that the term 'shift actuator' of claim 16 of the Reexamined '291 patent must be construed in accordance with its ordinary meaning, *i.e.*, a mechanism that controls the changing of gears. See SunRace [*Roots Enters. Ltd. v. SRAM Corp.*], 336 F.3d [1298 (Fed. Cir. 2003] at 1302, 1307-08. The remaining terms and phrases of claim 16 of the Reexamined '291 patent, consistent with the Federal Circuit's opinion in the SunRace case, 'take on their ordinary and accustomed meanings unless the patentee demonstrated an intent to deviate from the ordinary and accustomed meaning of a claim term by redefining the term or characterizing the invention in the intrinsic record using words or expressions of manifest exclusion or restriction, representing a clear disavowal of claim scope.' Id. at 1304 (quoting Teleflex, Inc. v. Ficosa N. Am. Corp., 299 F.3d 1313, 1327 (Fed. Cir. 2002)).").

[3] Pet. at 4 ("The District Court followed that description and the USPTO's determination"); *id.* at 5 ("The Federal Circuit simply

(footnote continued on next page)

In fact, when the district court entered its judgment, the PTO had initiated the reexamination but had taken no action.[4] The district court was divested of jurisdiction on April 21, 2005, when the Notice of Appeal was filed. Four days later the PTO issued its first Office Action, construing the claim literally (as the Federal Circuit now requires) and *rejecting* the claim as anticipated by the prior art asserted against it in this litigation. Brief of Appellant-Defendant AD-II Eng'g, at Addendum Part 9, *SRAM Corp.* (Office Action in Ex Parte Reexamination, Apr. 25, 2005). On December 20, 2005, the PTO allowed the claim because it changed its claim con-

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(footnote continued from previous page)
disregarded that work and gave no deference to the USPTO's clear interpretation of claims and the district court's review of that claim interpretation."); *id.* at 7 ("Here, the District Court construed a claim of a patent according to the clear guidance by the USPTO after years of review in reexamination").

[4] An index and images of the documents comprising the prosecution history of the third reexamination of SRAM's '291 patent can be viewed at the PTO's website by entering its control number, 90/006,774, at http://portal.uspto.gov/external/portal/pair and clicking on the "Image File Wrapper" index heading. The Request for Ex Parte Reexamination of September 9, 2003, *id.*, argues for a plain meaning construction of claim 16 at pages 4-6. The PTO preliminarily agreed with this reading of the claim in its Order Granting Request for Reexamination of September 30, 2004, *id.* at 4-6. The PTO rejected the claim in its April 25, 2005 Office Action, *id.*, under its "plain meaning" construction of the patent claim at pages 3-5. The PTO adopted the erroneous "precision index shifting" claim construction in its Notice of Intent to Issue Ex Parte Reexamination Certificate of December 20, 2005, *id.* at page 2.

struction and adopted the erroneous "precision index shifting" construction.

By the time of the appellate argument, however, the third reexamination was complete except for the Reexamination Certificate itself, and all potentially relevant prosecution history was before the Federal Circuit. SRAM waived the Questions Presented because it had, but forfeited, the opportunity to argue below to the Federal Circuit that it should defer to the PTO's December 20, 2005 claim construction.

Finally, SRAM is barred from raising the Questions Presented because its present position is contrary to the position it took in *SunRace Roots Enters. v. SRAM Corp.*, 336 F.3d 1298 (Fed. Cir. 2003), in which the Federal Circuit also construed claim 16 of SRAM's so-called '291 patent. In *SunRace*, SRAM successfully argued for an ordinary and common construction of the claim terms (which SRAM now argues the decision below wrongly retained), and argued against the claim construction that it now argues for. *Compare SunRace*, 336 F.3d at 1302 (vacating construction of claim 16's "shift actuator" as encompassing innovative precision index feature of invention disclosed in specification), *with SRAM Corp.*, 465 F.3d at 1359 ("While SRAM strongly urges the court to interpret the claim to encompass the innovative precision index shifting feature it contends it has invented, we are powerless to rewrite the claims and must construe the language of the claim at issue based on the words used.").

III. THE PETITION LACKS LEGAL ARGUMENT AND JURISPRUDENTIAL RATIONALE

The Petition makes only a policy argument for federal judicial deference to claim constructions by the PTO. SRAM argues that this Court should "provide guidance"

because the Federal Circuit's *de novo* standard of review "is unsound policy." Pet. at 5, 9. But neither Article III nor this Court's power of review under 28 U.S.C. § 1254(1) authorizes this Court to "provide guidance" on policy questions as abstract as they are here.

The Petition is utterly devoid of substantive legal argument or analysis. For example, SRAM *never once* mentions the Administrative Procedures Act or its judicial review provision, 5 U.S.C. § 706, in which this Court has found a requirement for judicial deference in review of PTO administrative appeals of patentability determinations. *Dickinson v. Zurko*, 527 U.S. 150, 152 (1999). Instead of articulating propositions of law that this Court can actually decide, SRAM proposes that "inconsistency" in the Federal Circuit's claim construction principles "defeats the Congressional purpose in the creation of the Federal Circuit." Pet. at 6-7.

And what there is of argument in the Petition is premised entirely on fallacy. SRAM asserts that the PTO's claim constructions for patentability purposes are identical to federal court claim constructions for purposes of litigation. Pet. at 5 ("The USPTO considered the exact issue before the Federal Circuit"); id. ("the very issues involved"); id. at 11 ("the very claim construction"); id. ("this very issue").

But the two are not the same at all:

> This court already distinguishes between treatment of claims for patentability before the PTO from treatment of claims for validity before the courts. . . . This court permits the PTO to give claims their broadest reasonable meaning when determining patentability. . . . During litigation determining validity or infringement, however, this approach is inapplicable. . . . Rather the courts must consult the specification, prosecution history, prior art, and other

> claims to determine the proper construction of the claim language. . . . Thus, accommodating the demands of the administrative process and recognizing the capabilities of the trial courts, this court treats claims differently for patentability as opposed to validity and infringement.

Atlantic Thermoplastics Co. v. Faytex Corp., 970 F.2d 834, 846 (Fed. Cir. 1992) (citations omitted).

Inconsistencies between PTO and judicial constructions of the same patent claim are inevitable because the legal standards for claim construction in PTO patentability proceedings are different from those by which the federal courts construe claims in litigation.[5] The PTO construes a patent claim according to the "broadest reasonable construction" of its terms. *Am. Academy*, 367 F.3d at 1364. The federal courts begin more narrowly with the "ordinary and customary meaning" of the terms. *Phillips v. AWH Corp.*, 415 F.3d 1303, 1312 (Fed. Cir. 2005) (en banc). The federal courts systematically employ a hierarchy of claim construction principles, *id.* at 1313-19, which "it is error" for the PTO to

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[5] Finally, American Academy points to an inconsistency between the [PTO] Board's construction of the term 'user computer' and that of the district court in American Academy's litigation against Novell. . . . However, the Board is required to use a different standard for construing claims than that used by district courts. We have held that it is error for the Board to 'apply the mode of claim interpretation that is used by courts in litigation, when interpreting the claims of issued patents in connection with determinations of infringement and validity.'

In re Am. Academy of Science Tech Center, 367 F.3d 1359, 1369 (Fed. Cir. 2004) (citations omitted).

use. *Am. Academy*, 367 F.3d at 1364, 1369.[6] These substantive differences in claim construction methodology minimize the risk that a patent holder will assert broader claim coverage in litigation than what the PTO allowed. *Id.* Procedurally, the PTO construes claims in closed, administrative, *ex parte* proceedings based on evidence that would be inadmissible for claim construction purposes in the federal courts.[7]

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[6] The broad reading of claim language by the PTO minimizes the risk that patent claims will be construed during litigation to encompass subject matter beyond what the PTO understood the claim to encompass. *Am. Academy*, 367 F.3d at 1364. This is fair because patent claims can be amended during examination and reexamination. *Id.* ("Construing claims broadly during prosecution is not unfair to the applicant (or, in this case, the patentee), because the applicant has the opportunity to amend the claims to obtain more precise claim coverage.") (quoting *In re Yamamoto*, 740 F.2d 1569, 1571-72 (Fed. Cir. 1984) ("An applicant's ability to amend his claims to avoid cited prior art distinguishes proceedings before the PTO from proceedings in federal district courts on issued patents.")). Because SRAM had, but deliberately waived, its opportunity to amend the patent claim during the last reexamination to get the relief it now seeks from this Court, 35 U.S.C. § 305 (right of patent holder to amend claim during reexamination), it is not at all unfair that the Federal Circuit's decision should remain intact.

[7] *See, e.g., Solomon v. Kimberly-Clark Corp.*, 216 F.3d 1372, 1378 (Fed. Cir. 2000) ("Thus, in the more fluid environment of patent examination, an inventor's statements are relevant to determining compliance with the statute. On the other hand, when a court analyzes whether issued claims comply with 35 U.S.C. Section 112, paragraph 2, the evidence considered in that analysis should be more limited.").

Because PTO claim constructions for purposes of examining patent applications and reexamining patents do not satisfy the legal standards governing the construction of patent claims for infringement and validity purposes in litigation, the federal courts cannot defer to PTO claim constructions in the first instance. SRAM does not ask this Court to harmonize these two different claim construction methodologies, and without such harmony the Questions Presented are irrelevant.

CONCLUSION

SRAM Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit should be denied.

Respectfully submitted,

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Supreme Court of the United States

SRAM CORPORATION,

Petitioner,

v.

AD-II ENGINEERING, INC.,

Respondent.

On Petition For Writ Of Certiorari To The Court Of Appeals For The Federal Circuit

REPLY BRIEF IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI

April 30, 2007

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RULE 29.6 CORPORATE DISCLOSURE STATEMENT

The statement required by United States Supreme Court Rule 29.6 has been provided in the petition for writ of certiorari and remains accurate.

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ARGUMENT

A. Petitioner properly seeks review of the Federal Circuit's erroneous decision to contravene and disregard the expert determinations of the United States Patent and Trademark Office on claim construction.

In its Petition, SRAM Corporation ("SRAM") seeks review of the judgment of the Court of Appeals for the Federal Circuit ("the Federal Circuit"). *See* Petition at 1. SRAM seeks review and reversal of the Federal Circuit's ruling that the United States Patent and Trademark Office ("USPTO") erroneously construed claim 16 of U.S. Patent No. 4,900,291 ("the '291 patent") to describe a method of precise indexed downshifting and the Federal Circuit's failure to give any deference to the claim interpretation by the USPTO, the expert agency entrusted with determining the validity of patents and which confirmed patentability after five years of reexamination proceedings relating to this same claim construction issue. *See, e.g.*, Petition at 5 ("In the instant case, the USPTO clearly reviewed the claim construction at issue over a reexamination process of more than five years. The Federal Circuit simply disregarded that work and gave no deference to the USPTO's clear interpretation of claims and the district court's review of that claim interpretation."); *id.* at 8 ("The clear error of the Federal Circuit opinion was caused by ignoring the USPTO's claim construction in its lengthy and on-point prosecution history. The Federal Circuit's opinion ignores the USPTO's prosecution history related to claim 16, which included three separate reexamination proceedings in which the patent owner repeatedly demonstrated that claim 16 describes a method of performing precise indexed downshifting."). The contention by AD-II

Engineering, Inc. ("AD-II") that the Petition does not seek this review and that the Questions Presented are "hypothetical," *see* Opposition at 1-3, is clearly and demonstrably false.[1]

B. Petitioner properly preserved its position that the Federal Circuit erred in ignoring and giving no deference to the United States Patent and Trademark Office's determinations on construing patent claims.

SRAM did not waive either of the Questions Presented. Throughout briefing in the District Court and in the Federal Circuit (including on rehearing), SRAM consistently argued that the final decisions of the United States Patent and Trademark Office ("PTO") should be accorded proper consideration in determining how claim 16 of the '291 patent is interpreted. As the Federal Circuit recognized, SRAM urged adoption of the District Court's construction of claim 16 on the grounds that, after three reexamination proceedings, the USPTO – like the District Court[2] – construed claim 16 as describing "precision

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[1] AD-II also wrongly states that SRAM "denies the existence" of the Federal Circuit's ruling that the USPTO erred in its claim construction. *See* Opposition at 2-3 n. 1. SRAM's Petition expressly quotes from and recognizes the errors of the Federal Circuit's opinion, *see, e.g.*, Petition at 8, 12, and notes further that the Federal Circuit's opinion entirely omitted any substantive discussion of the patent's prosecution and multiple reexaminations, in which the claim was clearly understood to describe precise indexed downshifting. *See id.* at 7-8, 11-12.

[2] Nor did SRAM misrepresent the nature of the District Court's reliance on the USPTO's determinations. *See* Opposition at 4-6. At the time of its claim construction, the District Court had the benefit of reviewing the first two reexaminations of the '291 patent, during which SRAM expressly stated and the USPTO clearly concluded that claim 16 described a method of precise indexed downshifting. The District Court

(Continued on following page)

indexed downshifting," such that the Federal Circuit should have properly deferred to the expert determinations of the USPTO. *See* App. 15. Clearly, the Federal Circuit did not consider SRAM's position on deference to be waived.

Moreover, it is the traditional rule of this Court that "once a federal claim is properly presented, a party can make any argument in support of that claim, parties are not limited to the precise arguments they made below." *Yee v. City of Escondido*, 503 U.S. 319, 334 (1992); *Dewey v. Des Moines*, 173 U.S. 193, 198 (1899). Indeed, this Court will ordinarily feel free to address any issue passed upon by the court below, even if not raised by petitioner. *See Lebron v. National R.R. Passenger Corp.*, 513 U.S. 374, 379 (1995). Supreme Court practice "permit[s] review of an issue not pressed so long as it has been passed upon . . . " *United States v. Williams*, 504 U.S. 36, 41 (1992). Thus, AD-II's unsupported claims of "waiver," proffered to avoid addressing the national importance of the questions presented, carry no weight in this Court.

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also had the benefit of and relied upon the Federal Circuit's opinion in *SunRace Roots Enters. v. SRAM Corp.*, 336 F.3d 1298 (Fed. Cir. 2003), which repeatedly referred to precise indexed downshifting in its discussion of claim 16. Unlike the Federal Circuit, the USPTO did not "change" its construction in the third reexamination, but rather confirmed its prior constructions as well as the validity of claim 16. And, contrary to AD-II's contentions, SRAM has consistently argued that claim 16 describes a method of precise indexed shifting that is not limited to the specific exemplary embodiments disclosed in the specification.

C. Petitioner substantively addresses the legal question of the appropriate level of deference due to the USPTO's determinations of claim scope, in light of the USPTO's expertise and the statutory presumption of patent validity under 35 U.S.C. § 282.

SRAM's Petition contains a detailed analysis of the legal grounds for reversal of the Federal Circuit's determination that courts should afford no deference to the expert determinations of the USPTO in interpreting patent claims. The Federal Circuit's complete disregard for the expert work of the USPTO, which took place in multiple reexaminations lasting over five years and which addressed the exact same claim interpretation at issue below, lacks logic and ignores the statutory mandate by Congress that patents are presumed valid under 35 U.S.C. § 282. By its statutory directive, Congress has recognized that the USPTO has sufficient expertise and knowledge to review the prior art and issue valid patents. In order to discharge these functions the USPTO must interpret patent claims and did so repeatedly in this patent's multiple reexaminations. The Federal Circuit's decision to ignore the work of the USPTO and to accord no deference to this expert agency's determinations contravenes Congressional intent and is inconsistent with its own prior decisions that acknowledge the expertise of the patent examiners employed by the USPTO. *See, e.g., American Hoist & Derrick Co. v. Sowa & Sons, Inc.*, 725 F.2d 1350, 1359 (Fed. Cir. 1984).

In support of its Petition, SRAM cites over forty cases, statutes, and other legal authorities. The assertion by AD-II that the Petition lacks "substantive legal argument or

analysis," Opposition at 7, is simply wrong and contradicted by the record.

Equally misplaced is AD-II's contention that no deference is appropriate to claim construction decisions of the USPTO because courts and the USPTO purportedly apply "different" standards in interpreting patent claims. *See* Opposition at 7-10. The approach taken by courts and the USPTO is fundamentally the same: one begins by reviewing a claim term in the context of the claims and the specification, according the term its ordinary and customary meaning, and reviewing the record to determine if a special meaning has been accorded the term by the patent applicant. *See Phillips v. AWH Corp.*, 415 F.3d 1303, 1312 (Fed. Cir. 2005) (en banc); MANUAL OF PATENT EXAMINING PROCEDURE § 2111.01 (citing Federal Circuit law, including *Phillips*, for this same proposition).

As this Court has repeatedly recognized, claims cannot be interpreted to include scope expressly disavowed by the patent applicant. *See, e.g., Graham v. John Deere Co.*, 383 U.S. 1, 33 (1966) ("It is, of course, well settled that an invention is construed not only in the light of the claims, but also with reference to the file wrapper or prosecution history in the Patent Office. . . . Claims as allowed must be read and interpreted with reference to rejected ones and to the state of the prior art, and claims that have been narrowed in order to obtain the issuance of a patent by distinguishing the prior art cannot be sustained to cover that which was previously by limitation eliminated from the patent.") (citation omitted); *Schriber-Schroth Co. v. Cleveland Trust Co.*, 311 U.S. 211, 220-21 (1940) (noting that the established rule of claim construction that "the claims allowed cannot by construction be read to cover what was thus eliminated from the patent.").

The USPTO recognizes this same fundamental precept in the rules governing patent prosecution: the presumption of ordinary and customary meaning will be overcome "where the patentee has disavowed or disclaimed scope of coverage, by using words or expressions of manifest exclusion or restriction, representing a clear disavowal of claim scope." MANUAL OF PATENT EXAMINING PROCEDURE § 2111.01 (quoting *International Rectifier Corp. v. IXYS Corp.*, 361 F.3d 1363, 1368 (Fed. Cir. 2004)).

In the instant case, the Federal Circuit ignored the prosecution history of the '291 patent, which directly addressed the very claim construction at issue. The USPTO did not ignore the statements made by patent applicant limiting the scope of claim 16 to a particular method of precision indexed downshifting. There is simply no legal or factual justification for the Federal Circuit's decision to give no deference to the USPTO's construction of claim 16 and to disregard the patent applicant's disavowals of claim scope. Without some form of deference to the USPTO's actions, the courts are contradicting the statutorily prescribed standard of presumed patent validity under 35 U.S.C. § 282.

CONCLUSION

For the foregoing reasons and those stated in the petition, Petitioner SRAM Corporation respectfully requests that the Court grant its Petition for Writ of Certiorari, vacate the Federal Circuit Opinion, and affirm the judgment of infringement entered by the District Court.

Respectfully submitted,

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